



WASHINGTON STATE LEGISLATURE

Joint Committee on Pension Policy

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December 4, 2002

12:30 - 3:30 PM

Senate Hearing Room 4
Olympia

REVISED AGENDA

Executive Session

- 12:30 PM (1) **Age 66 COLA**
(2) **Fish and Wildlife Enforcement Officers into LEOFF**
(3) **Age 70-1/2**

Work Session/Public Hearing/Possible Executive Session

- 2 PM (4) **Governance**
(5) **Plan 3 Contribution Rates**
(6) **Federal Compliance with Fallen Heros' Survivor Benefit**
(7) **Technical Corrections**
(8) **Any bill previously heard**
- 3:30 PM (9) **Adjourn**

Persons with disabilities needing auxiliary aids or services for purposes of attending or participating in Joint Committee on Pension Policy meetings should call (360) 753-9695. TDD 1-800-635-9993

Senators: Don Carlson, Chair; Karen Fraser; Harold Hochstatter; Ken Jacobsen; Debbie Regala; Linda Evans Parlette; Harriet Spanel; Shirley Winsley
Representatives: Steve Conway, Vice Chair; Gary Alexander; Glenn Anderson; Mike Cooper; Jerome Delvin; Bill Fromhold; Cheryl Pflug; Geoff Simpson

1 AN ACT Relating to public employees' retirement system, plan 1 and
2 teachers' retirement system, plan 1 age and retirement requirements for
3 receipt of the annual increase amount; amending RCW 41.40.197 and
4 41.32.489; providing an effective date; and declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 41.40.197 and 1995 c 345 s 5 are each amended to read
7 as follows:

8 (1) Beginning July 1, 1995, and annually thereafter, the retirement
9 allowance of a person meeting the requirements of this section shall be
10 increased by the annual increase amount.

11 (2) The following persons shall be eligible for the benefit
12 provided in subsection (1) of this section:

13 (a) A beneficiary who has received a retirement allowance for at
14 least one year by July 1st in the calendar year in which the annual
15 increase is given and has attained at least age sixty-six by ((~~July~~
16 ~~1st~~) December 31st in the calendar year in which the annual increase
17 is given; or

(b) A beneficiary whose retirement allowance is lower than the minimum benefit provided under RCW 41.40.1984.

(3) The following persons shall also be eligible for the benefit provided in subsection (1) of this section:

(a) A beneficiary receiving the minimum benefit on June 30, 1995, under RCW 41.40.198; or

(b) A recipient of a survivor benefit on June 30, 1995, which has been increased by RCW 41.40.325.

(4) If otherwise eligible, those receiving an annual adjustment under RCW 41.40.188(1)(c) shall be eligible for the annual increase adjustment in addition to the benefit that would have been received absent this section.

(5) Those receiving a benefit under RCW 41.40.220(1), or a survivor of a disabled member under RCW 41.44.170(5) shall be eligible for the benefit provided by this section.

(6) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to receive this postretirement adjustment not granted prior to that time.

Sec. 2. RCW 41.32.489 and 1995 c 345 s 2 are each amended to read as follows:

(1) Beginning July 1, 1995, and annually thereafter, the retirement allowance of a person meeting the requirements of this section shall be increased by the annual increase amount.

(2) The following persons shall be eligible for the benefit provided in subsection (1) of this section:

(a) A beneficiary who has received a retirement allowance for at least one year by July 1st in the calendar year in which the annual increase is given and has attained at least age sixty-six by (~~July 1st~~) December 31st in the calendar year in which the annual increase is given; or

(b) A beneficiary whose retirement allowance is lower than the minimum benefit provided under RCW 41.32.4851.

(3) The following persons shall also be eligible for the benefit provided in subsection (1) of this section:

(a) A beneficiary receiving the minimum benefit on June 30, 1995, under RCW 41.32.485; or

1 (b) A recipient of a survivor benefit on June 30, 1995, which has
2 been increased by RCW 41.32.575.

3 (4) If otherwise eligible, those receiving an annual adjustment
4 under RCW 41.32.530(1)(d) shall be eligible for the annual increase
5 adjustment in addition to the benefit that would have been received
6 absent this section.

7 (5) Those receiving a temporary disability benefit under RCW
8 41.32.540 shall not be eligible for the benefit provided by this
9 section.

10 (6) The legislature reserves the right to amend or repeal this
11 section in the future and no member or beneficiary has a contractual
12 right to receive this postretirement adjustment not granted prior to
13 that time.

14 NEW SECTION. **Sec. 3.** This act is necessary for the immediate
15 preservation of the public peace, health, or safety, or support of the
16 state government and its existing public institutions, and takes effect
17 July 1, 2003.

--- END ---

Draft

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:

CODE:

DATE:

BILL NUMBER:

Office of the State Actuary

035

10/24/02

Z-0197.1

Age 66 COLA

SUMMARY:

This bill impacts the Public Employees' Retirement System (PERS) Plan 1 and Teachers' Retirement System (TRS) Plan 1 by allowing those who have been retired for one year, and will be at least age 66 by December 31st, to receive the annual increase paid on July 1st of that year.

Effective Date: July 1, 2003.

BACKGROUND DISCUSSION:

The current provision requires the member to have been retired one year and to be at least age 66 on July 1st to eligible for the annual increase paid that year. This means that some members will get their first COLA as early as age 66, while others will not get theirs until age 67 (or one to two years after retirement if later). This bill would change this so that some members would get their COLA as early as age 65½, while others will not get theirs until age 66½ (or one to two years after retirement if later).

MEMBERS IMPACTED:

We estimate that 50% of the members who are under age 65 would be affected by this bill.

TRS Plan 1	Under Age 65	Total
Receiving a Benefit	10,438	32,195
Actives	13,784	13,971
Vested Terminated	1,957	1,990

PERS Plan 1	Under Age 65	Total
Receiving a Benefit	11,482	53,538
Actives	23,205	23,981
Vested Terminated	3,151	3,310

We estimate that for a typical member impacted by this bill, the annual increase would be paid one year earlier. The annual increase for July 1, 2003 in the monthly benefit is \$1.14 times years of service. The annual increase is increased by 3% each year and by future "gain-sharing" amounts. The typical recipient of the Uniform COLA has 19 years of service in PERS and 25 years of service in TRS.

FISCAL IMPACT:

Actuarial Determinations:

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and the required actuarial contribution rate as shown below:

Teachers' Retirement System and Public Employees' Retirement System (Plan 1):

<i>(Dollars in Millions)</i>	System:	Current	Increase	Total
Actuarial Present Value of Projected Benefits	PERS 1	\$ 12,244	\$ 33	\$ 12,277
The Value of the Total Commitment to all Current Members	TRS 1	10,050	29	10,079
Unfunded Actuarial Accrued Liability	PERS 1	\$ 860	\$ 33	\$ 893
The Portion of the Plan 1 Liability that is Amortized until 2024	TRS 1	400	29	429
Unfunded Liability (PBO)	PERS 1	\$ 301	\$ 30	\$ 331
The Value of the Total Commitment to all Current Members Attributable to Past Service	TRS 1	(22)	27	5
Required Contribution Rate-Employer/State	PERS	2.05%	.02%	2.07%
	SERS	1.74%	.02%	1.76%
	TRS	2.22%	.05%	2.27%

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

	<u>PERS/SERS</u>	<u>TRS</u>
Increase in Contribution Rates:		
Effective 9/1/2003		
Employee (Plan 2)	0.00%	0.00%
Employer	0.02%	0.05%
Costs (in Millions):		
2003-2005		
State:		
General Fund	\$ 0.8	\$ 3.1
Non-General Fund	0.9	0.0
Total State	\$ 1.7	\$ 3.1
Local Government	\$ 1.5	\$ 0.6

	<u>PERS/SERS</u>	<u>TRS</u>
2005-2007		
State:		
General Fund	\$ 1.0	\$ 3.4
Non-General Fund	<u>1.1</u>	<u>0.0</u>
Total State	\$ 2.1	\$ 3.4
Local Government	\$ 1.8	\$ 0.7
 2003-2028		
State:		
General Fund	\$ 16.8	\$ 56.1
Non-General Fund	<u>18.5</u>	<u>0.0</u>
Total State	\$ 35.3	\$ 56.1
Local Government	\$ 31.3	\$ 11.5

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal bill are based on our understanding of the bill as well as generally accepted actuarial practices including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2001 actuarial valuation report of the Public Employees' Retirement System and Teachers' Retirement System.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:

None.
4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2003 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Projected Benefits: Pension benefit amounts which are expected to be paid in the taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces. The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL. The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2 and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Age 66 COLA

Bill Summary

Currently, retired members of the Public Employees Retirement System plan 1 and the Teachers Retirement System plan 1 are eligible to receive the Uniform COLA when they have been retired for one year and have attained age 66 by July 1st. As a result, retirees who have been retired one year, but do not reach age 66 until after July 1st, must wait until the following July 1st to begin receiving the Uniform COLA.

The executive committee of the JCPP recommends an adjustment in the age requirement for Uniform COLA eligibility. Retirees who have been retired for one year by July 1st will begin to receive the COLA on that date if they will reach age 66 during the calendar year.

This proposal has no impact on those already receiving the Uniform COLA, or on those whose birth dates are from January 1st through July 1st. Those whose birth dates are from July 2nd through December 31st will begin to receive the Uniform COLA a year earlier.

1 AN ACT Relating to department of fish and wildlife law enforcement
2 officers' membership in the law enforcement officers' and fire
3 fighters' retirement system plan 2 for periods of future service;
4 amending RCW 41.26.030 and 77.15.075; and adding a new section to
5 chapter 41.40 RCW.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.40 RCW
8 to read as follows:

9 (1) An employee who was a member of the public employees'
10 retirement system plan 2 or plan 3 on or before January 1, 2003, and on
11 the effective date of this act is employed by the department of fish
12 and wildlife as a law enforcement officer as defined in RCW 41.26.030,
13 shall become a member of the law enforcement officers' and fire
14 fighters' retirement system plan 2. All officers will be dual members
15 as provided in chapter 41.54 RCW, and public employees' retirement
16 system service credit may not be transferred to the law enforcement
17 officers' and fire fighters' retirement system plan 2.

(2) An employee who was a member of the public employees' retirement system plan 1 on or before January 1, 2003, and on or after the effective date of this act is employed by the department of fish and wildlife as a law enforcement officer as defined in RCW 41.26.030, shall remain a member of the public employees' retirement system plan 1.

Sec. 2. RCW 41.26.030 and 2002 c 128 s 3 are each amended to read as follows:

As used in this chapter, unless a different meaning is plainly required by the context:

(1) "Retirement system" means the "Washington law enforcement officers' and fire fighters' retirement system" provided herein.

(2)(a) "Employer" for plan 1 members, means the legislative authority of any city, town, county, or district or the elected officials of any municipal corporation that employs any law enforcement officer and/or fire fighter, any authorized association of such municipalities, and, except for the purposes of RCW 41.26.150, any labor guild, association, or organization, which represents the fire fighters or law enforcement officers of at least seven cities of over 20,000 population and the membership of each local lodge or division of which is composed of at least sixty percent law enforcement officers or fire fighters as defined in this chapter.

(b) "Employer" for plan 2 members, means the following entities to the extent that the entity employs any law enforcement officer and/or fire fighter:

(i) The legislative authority of any city, town, county, or district;

(ii) The elected officials of any municipal corporation;

(iii) The governing body of any other general authority law enforcement agency; or

(iv) A four-year institution of higher education having a fully operational fire department as of January 1, 1996.

(3) "Law enforcement officer" beginning January 1, 1994, means any person who is commissioned and employed by an employer on a full time, fully compensated basis to enforce the criminal laws of the state of Washington generally, with the following qualifications:

1 (a) No person who is serving in a position that is basically
2 clerical or secretarial in nature, and who is not commissioned shall be
3 considered a law enforcement officer;

4 (b) Only those deputy sheriffs, including those serving under a
5 different title pursuant to county charter, who have successfully
6 completed a civil service examination for deputy sheriff or the
7 equivalent position, where a different title is used, and those persons
8 serving in unclassified positions authorized by RCW 41.14.070 except a
9 private secretary will be considered law enforcement officers;

10 (c) Only such full time commissioned law enforcement personnel as
11 have been appointed to offices, positions, or ranks in the police
12 department which have been specifically created or otherwise expressly
13 provided for and designated by city charter provision or by ordinance
14 enacted by the legislative body of the city shall be considered city
15 police officers;

16 (d) The term "law enforcement officer" also includes the executive
17 secretary of a labor guild, association or organization (which is an
18 employer under RCW 41.26.030(2)) if that individual has five years
19 previous membership in the retirement system established in chapter
20 41.20 RCW. The provisions of this subsection (3)(d) shall not apply to
21 plan 2 members; and

22 (e) The term "law enforcement officer" also includes a person
23 employed on or after January 1, 1993, as a public safety officer or
24 director of public safety, so long as the job duties substantially
25 involve only either police or fire duties, or both, and no other duties
26 in a city or town with a population of less than ten thousand. The
27 provisions of this subsection (3)(e) shall not apply to any public
28 safety officer or director of public safety who is receiving a
29 retirement allowance under this chapter as of May 12, 1993.

30 (4) "Fire fighter" means:

31 (a) Any person who is serving on a full time, fully compensated
32 basis as a member of a fire department of an employer and who is
33 serving in a position which requires passing a civil service
34 examination for fire fighter, and who is actively employed as such;

35 (b) Anyone who is actively employed as a full time fire fighter
36 where the fire department does not have a civil service examination;

37 (c) Supervisory fire fighter personnel;

1 (d) Any full time executive secretary of an association of fire
2 protection districts authorized under RCW 52.12.031. The provisions of
3 this subsection (4)(d) shall not apply to plan 2 members;

4 (e) The executive secretary of a labor guild, association or
5 organization (which is an employer under RCW 41.26.030(2) as now or
6 hereafter amended), if such individual has five years previous
7 membership in a retirement system established in chapter 41.16 or 41.18
8 RCW. The provisions of this subsection (4)(e) shall not apply to plan
9 2 members;

10 (f) Any person who is serving on a full time, fully compensated
11 basis for an employer, as a fire dispatcher, in a department in which,
12 on March 1, 1970, a dispatcher was required to have passed a civil
13 service examination for fire fighter; and

14 (g) Any person who on March 1, 1970, was employed on a full time,
15 fully compensated basis by an employer, and who on May 21, 1971, was
16 making retirement contributions under the provisions of chapter 41.16
17 or 41.18 RCW.

18 (5) "Department" means the department of retirement systems created
19 in chapter 41.50 RCW.

20 (6) "Surviving spouse" means the surviving widow or widower of a
21 member. "Surviving spouse" shall not include the divorced spouse of a
22 member except as provided in RCW 41.26.162.

23 (7)(a) "Child" or "children" means an unmarried person who is under
24 the age of eighteen or mentally or physically handicapped as determined
25 by the department, except a handicapped person in the full time care of
26 a state institution, who is:

27 (i) A natural born child;

28 (ii) A stepchild where that relationship was in existence prior to
29 the date benefits are payable under this chapter;

30 (iii) A posthumous child;

31 (iv) A child legally adopted or made a legal ward of a member prior
32 to the date benefits are payable under this chapter; or

33 (v) An illegitimate child legitimized prior to the date any
34 benefits are payable under this chapter.

35 (b) A person shall also be deemed to be a child up to and including
36 the age of twenty years and eleven months while attending any high
37 school, college, or vocational or other educational institution
38 accredited, licensed, or approved by the state, in which it is located,

1 including the summer vacation months and all other normal and regular
2 vacation periods at the particular educational institution after which
3 the child returns to school.

4 (8) "Member" means any fire fighter, law enforcement officer, or
5 other person as would apply under subsections (3) or (4) of this
6 section whose membership is transferred to the Washington law
7 enforcement officers' and fire fighters' retirement system on or after
8 March 1, 1970, and every law enforcement officer and fire fighter who
9 is employed in that capacity on or after such date.

10 (9) "Retirement fund" means the "Washington law enforcement
11 officers' and fire fighters' retirement system fund" as provided for
12 herein.

13 (10) "Employee" means any law enforcement officer or fire fighter
14 as defined in subsections (3) and (4) of this section.

15 (11)(a) "Beneficiary" for plan 1 members, means any person in
16 receipt of a retirement allowance, disability allowance, death benefit,
17 or any other benefit described herein.

18 (b) "Beneficiary" for plan 2 members, means any person in receipt
19 of a retirement allowance or other benefit provided by this chapter
20 resulting from service rendered to an employer by another person.

21 (12)(a) "Final average salary" for plan 1 members, means (i) for a
22 member holding the same position or rank for a minimum of twelve months
23 preceding the date of retirement, the basic salary attached to such
24 same position or rank at time of retirement; (ii) for any other member,
25 including a civil service member who has not served a minimum of twelve
26 months in the same position or rank preceding the date of retirement,
27 the average of the greatest basic salaries payable to such member
28 during any consecutive twenty-four month period within such member's
29 last ten years of service for which service credit is allowed, computed
30 by dividing the total basic salaries payable to such member during the
31 selected twenty-four month period by twenty-four; (iii) in the case of
32 disability of any member, the basic salary payable to such member at
33 the time of disability retirement; (iv) in the case of a member who
34 hereafter vests pursuant to RCW 41.26.090, the basic salary payable to
35 such member at the time of vesting.

36 (b) "Final average salary" for plan 2 members, means the monthly
37 average of the member's basic salary for the highest consecutive sixty

1 service credit months of service prior to such member's retirement,
2 termination, or death. Periods constituting authorized unpaid leaves
3 of absence may not be used in the calculation of final average salary.

4 (13)(a) "Basic salary" for plan 1 members, means the basic monthly
5 rate of salary or wages, including longevity pay but not including
6 overtime earnings or special salary or wages, upon which pension or
7 retirement benefits will be computed and upon which employer
8 contributions and salary deductions will be based.

9 (b) "Basic salary" for plan 2 members, means salaries or wages
10 earned by a member during a payroll period for personal services,
11 including overtime payments, and shall include wages and salaries
12 deferred under provisions established pursuant to sections 403(b),
13 414(h), and 457 of the United States Internal Revenue Code, but shall
14 exclude lump sum payments for deferred annual sick leave, unused
15 accumulated vacation, unused accumulated annual leave, or any form of
16 severance pay. In any year in which a member serves in the legislature
17 the member shall have the option of having such member's basic salary
18 be the greater of:

19 (i) The basic salary the member would have received had such member
20 not served in the legislature; or

21 (ii) Such member's actual basic salary received for nonlegislative
22 public employment and legislative service combined. Any additional
23 contributions to the retirement system required because basic salary
24 under (b)(i) of this subsection is greater than basic salary under
25 (b)(ii) of this subsection shall be paid by the member for both member
26 and employer contributions.

27 (14)(a) "Service" for plan 1 members, means all periods of
28 employment for an employer as a fire fighter or law enforcement
29 officer, for which compensation is paid, together with periods of
30 suspension not exceeding thirty days in duration. For the purposes of
31 this chapter service shall also include service in the armed forces of
32 the United States as provided in RCW 41.26.190. Credit shall be
33 allowed for all service credit months of service rendered by a member
34 from and after the member's initial commencement of employment as a
35 fire fighter or law enforcement officer, during which the member worked
36 for seventy or more hours, or was on disability leave or disability
37 retirement. Only service credit months of service shall be counted in

1 the computation of any retirement allowance or other benefit provided
2 for in this chapter.

3 (i) For members retiring after May 21, 1971 who were employed under
4 the coverage of a prior pension act before March 1, 1970, "service"
5 shall also include (A) such military service not exceeding five years
6 as was creditable to the member as of March 1, 1970, under the member's
7 particular prior pension act, and (B) such other periods of service as
8 were then creditable to a particular member under the provisions of RCW
9 41.18.165, 41.20.160 or 41.20.170. However, in no event shall credit
10 be allowed for any service rendered prior to March 1, 1970, where the
11 member at the time of rendition of such service was employed in a
12 position covered by a prior pension act, unless such service, at the
13 time credit is claimed therefor, is also creditable under the
14 provisions of such prior act.

15 (ii) A member who is employed by two employers at the same time
16 shall only be credited with service to one such employer for any month
17 during which the member rendered such dual service.

18 (b) "Service" for plan 2 members, means periods of employment by a
19 member for one or more employers for which basic salary is earned for
20 ninety or more hours per calendar month which shall constitute a
21 service credit month. Periods of employment by a member for one or
22 more employers for which basic salary is earned for at least seventy
23 hours but less than ninety hours per calendar month shall constitute
24 one-half service credit month. Periods of employment by a member for
25 one or more employers for which basic salary is earned for less than
26 seventy hours shall constitute a one-quarter service credit month.

27 Members of the retirement system who are elected or appointed to a
28 state elective position may elect to continue to be members of this
29 retirement system.

30 Service credit years of service shall be determined by dividing the
31 total number of service credit months of service by twelve. Any
32 fraction of a service credit year of service as so determined shall be
33 taken into account in the computation of such retirement allowance or
34 benefits.

35 If a member receives basic salary from two or more employers during
36 any calendar month, the individual shall receive one service credit
37 month's service credit during any calendar month in which multiple
38 service for ninety or more hours is rendered; or one-half service

1 credit month's service credit during any calendar month in which
2 multiple service for at least seventy hours but less than ninety hours
3 is rendered; or one-quarter service credit month during any calendar
4 month in which multiple service for less than seventy hours is
5 rendered.

6 (15) "Accumulated contributions" means the employee's contributions
7 made by a member, including any amount paid under RCW 41.50.165(2),
8 plus accrued interest credited thereon.

9 (16) "Actuarial reserve" means a method of financing a pension or
10 retirement plan wherein reserves are accumulated as the liabilities for
11 benefit payments are incurred in order that sufficient funds will be
12 available on the date of retirement of each member to pay the member's
13 future benefits during the period of retirement.

14 (17) "Actuarial valuation" means a mathematical determination of
15 the financial condition of a retirement plan. It includes the
16 computation of the present monetary value of benefits payable to
17 present members, and the present monetary value of future employer and
18 employee contributions, giving effect to mortality among active and
19 retired members and also to the rates of disability, retirement,
20 withdrawal from service, salary and interest earned on investments.

21 (18) "Disability board" for plan 1 members means either the county
22 disability board or the city disability board established in RCW
23 41.26.110.

24 (19) "Disability leave" means the period of six months or any
25 portion thereof during which a member is on leave at an allowance equal
26 to the member's full salary prior to the commencement of disability
27 retirement. The definition contained in this subsection shall apply
28 only to plan 1 members.

29 (20) "Disability retirement" for plan 1 members, means the period
30 following termination of a member's disability leave, during which the
31 member is in receipt of a disability retirement allowance.

32 (21) "Position" means the employment held at any particular time,
33 which may or may not be the same as civil service rank.

34 (22) "Medical services" for plan 1 members, shall include the
35 following as minimum services to be provided. Reasonable charges for
36 these services shall be paid in accordance with RCW 41.26.150.

37 (a) Hospital expenses: These are the charges made by a hospital,
38 in its own behalf, for

1 (i) Board and room not to exceed semiprivate room rate unless
2 private room is required by the attending physician due to the
3 condition of the patient.

4 (ii) Necessary hospital services, other than board and room,
5 furnished by the hospital.

6 (b) Other medical expenses: The following charges are considered
7 "other medical expenses", provided that they have not been considered
8 as "hospital expenses".

9 (i) The fees of the following:

10 (A) A physician or surgeon licensed under the provisions of chapter
11 18.71 RCW;

12 (B) An osteopathic physician and surgeon licensed under the
13 provisions of chapter 18.57 RCW;

14 (C) A chiropractor licensed under the provisions of chapter 18.25
15 RCW.

16 (ii) The charges of a registered graduate nurse other than a nurse
17 who ordinarily resides in the member's home, or is a member of the
18 family of either the member or the member's spouse.

19 (iii) The charges for the following medical services and supplies:

20 (A) Drugs and medicines upon a physician's prescription;

21 (B) Diagnostic x-ray and laboratory examinations;

22 (C) X-ray, radium, and radioactive isotopes therapy;

23 (D) Anesthesia and oxygen;

24 (E) Rental of iron lung and other durable medical and surgical
25 equipment;

26 (F) Artificial limbs and eyes, and casts, splints, and trusses;

27 (G) Professional ambulance service when used to transport the
28 member to or from a hospital when injured by an accident or stricken by
29 a disease;

30 (H) Dental charges incurred by a member who sustains an accidental
31 injury to his or her teeth and who commences treatment by a legally
32 licensed dentist within ninety days after the accident;

33 (I) Nursing home confinement or hospital extended care facility;

34 (J) Physical therapy by a registered physical therapist;

35 (K) Blood transfusions, including the cost of blood and blood
36 plasma not replaced by voluntary donors;

37 (L) An optometrist licensed under the provisions of chapter 18.53
38 RCW.

1 (23) "Regular interest" means such rate as the director may
2 determine.

3 (24) "Retiree" for persons who establish membership in the
4 retirement system on or after October 1, 1977, means any member in
5 receipt of a retirement allowance or other benefit provided by this
6 chapter resulting from service rendered to an employer by such member.

7 (25) "Director" means the director of the department.

8 (26) "State actuary" or "actuary" means the person appointed
9 pursuant to RCW 44.44.010(2).

10 (27) "State elective position" means any position held by any
11 person elected or appointed to statewide office or elected or appointed
12 as a member of the legislature.

13 (28) "Plan 1" means the law enforcement officers' and fire
14 fighters' retirement system, plan 1 providing the benefits and funding
15 provisions covering persons who first became members of the system
16 prior to October 1, 1977.

17 (29) "Plan 2" means the law enforcement officers' and fire
18 fighters' retirement system, plan 2 providing the benefits and funding
19 provisions covering persons who first became members of the system on
20 and after October 1, 1977.

21 (30) "Service credit year" means an accumulation of months of
22 service credit which is equal to one when divided by twelve.

23 (31) "Service credit month" means a full service credit month or an
24 accumulation of partial service credit months that are equal to one.

25 (32) "General authority law enforcement agency" means any agency,
26 department, or division of a municipal corporation, political
27 subdivision, or other unit of local government of this state, and any
28 agency, department, or division of state government, having as its
29 primary function the detection and apprehension of persons committing
30 infractions or violating the traffic or criminal laws in general, but
31 not including the Washington state patrol (~~or the department of fish
32 and wildlife~~). Such an agency, department, or division is
33 distinguished from a limited authority law enforcement agency having as
34 one of its functions the apprehension or detection of persons
35 committing infractions or violating the traffic or criminal laws
36 relating to limited subject areas, including but not limited to, the
37 state departments of natural resources and social and health services,
38 the state gambling commission, the state lottery commission, the state

1 parks and recreation commission, the state utilities and transportation
2 commission, the state liquor control board, and the state department of
3 corrections.

4 **Sec. 3.** RCW 77.15.075 and 2002 c 128 s 4 are each amended to read
5 as follows:

6 (1) Fish and wildlife officers and ex officio fish and wildlife
7 officers shall enforce this title, rules of the department, and other
8 statutes as prescribed by the legislature. Fish and wildlife officers
9 who are not ex officio officers shall have and exercise, throughout the
10 state, such police powers and duties as are vested in sheriffs and
11 peace officers generally. An applicant for a fish and wildlife officer
12 position must be a citizen of the United States of America who can read
13 and write the English language. All fish and wildlife officers
14 employed after June 13, 2002, must successfully complete the basic law
15 enforcement academy course, known as the basic course, sponsored by the
16 criminal justice training commission, or the basic law enforcement
17 equivalency certification, known as the equivalency course, provided by
18 the criminal justice training commission. All officers employed on
19 June 13, 2002, must have successfully completed the basic course, the
20 equivalency course, or the supplemental course in criminal law
21 enforcement, known as the supplemental course, offered under chapter
22 155, Laws of 1985. Any officer who has not successfully completed the
23 basic course, the equivalency course, or the supplemental course must
24 complete the basic course or the equivalency course within fifteen
25 months of June 13, 2002.

26 (2) Fish and wildlife officers are peace officers. (~~However,~~
27 ~~nothing in this section or RCW 10.93.020 confers membership to such~~
28 ~~officers in the Washington law enforcement officers' and fire fighters'~~
29 ~~retirement system under chapter 41.26 RCW.))~~

30 (3) Any liability or claim of liability under chapter 4.92 RCW that
31 arises out of the exercise or alleged exercise of authority by a fish
32 and wildlife officer rests with the department unless the fish and
33 wildlife officer acts under the direction and control of another agency
34 or unless the liability is otherwise assumed under an agreement between
35 the department and another agency.

36 (4) Fish and wildlife officers may serve and execute warrants and
37 processes issued by the courts.

--- END ---

Draft
RESPONDING AGENCY:
Office of the State Actuary

FISCAL NOTE

REQUEST NO.

CODE:

DATE:

BILL NUMBER:

035

11/4/02

Z-0206.1

Fish & Wildlife into LEOFF

SUMMARY:

This bill impacts the Law Enforcement Officers and Fire Fighters' Retirement System Plan 2 (LEOFF 2) by:

Including Department of Fish and Wildlife law enforcement officers in the membership of the LEOFF 2.

Current members in Public Employees' Retirement System Plan 2/3 (PERS 2/3) will have dual membership in PERS 2/3 and LEOFF 2. Members in PERS 1 will remain in PERS 1..

Effective Date: 90 days after session.

BACKGROUND DISCUSSION:

Department of Fish and Wildlife enforcement officers first employed before October 1, 1977, are members of PERS 1. These members are eligible for retirement with 30 years of service at any age; with 25 years of service at age 55 and at age 60 with five years of service.

Enforcement officers first employed after September 30, 1977 are members of PERS 2/3. These members are eligible for normal retirement at age 65 with 5/10 years of service. PERS 2/3 members may retire early at age 55 with 20/10 years of service. The early retirement benefit is actuarially reduced from age 65. For those with 30 years of service the early retirement benefit is reduced by 3% for each year prior to 65 the benefit commences.

LEOFF 2 members are eligible for retirement at age 53 with five years of service. LEOFF 2 members may retire early at age 50 with 20 years of service. The early retirement benefit is reduced by 3% for each year prior to age 53 the benefit commences.

MEMBERS IMPACTED:

We estimate that 72 PERS 2/3 members (6 are in PERS 3) would be affected by this bill.

The bill does not provide an option to transfer past service, or for the one time payment by the employer to keep the rates in LEOFF unaffected. In addition the employer, state, and these employees will have different future contributions as shown below.

The average age, service and salary of the 72 members affected by this bill are shown below:

Member Age	40
Years of Service	11
Yearly Salary	\$ 52,155

FISCAL IMPACT:

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the LEOFF 2 System and the required actuarial contribution rate as shown below:

Law Enforcement Officers and Fire Fighters Retirement System Plan 2: (Dollars in Millions)

	Current	Increase	Total
Actuarial Present Value of Projected Benefits	\$3,652	\$ 8	\$ 3,660
The Value of the Total Commitment to all Current Members			
Unfunded Actuarial Accrued Liability	N/A	N/A	N/A
The Portion of the Plan 1 Liability that is Amortized until 2024			
Unfunded Liability (PBO)	\$ (907)	\$ 0	\$ (907)
The Value of the Total Commitment to all Current Members Attributable to Past Service			
Required Contribution Rate	10.10%	0.04%	10.14%

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

Effective September 1, 2003

Increase in Contribution Rates:

Employee	0.02%
Employer	0.01%
State	0.01%

Costs (in Millions):

2003-2005

State:

General Fund	\$0.2
Non-General Fund	

Total State	\$0.2
Local Government	\$0.2

2005-2007**State:**

General Fund \$0.2

Non-General Fund

Total State \$0.2

Local Government \$0.2

2003-2028**State:**

General Fund \$5.7

Non-General Fund

Total State \$5.7

Local Government \$5.7

Effective with the employee's transfer, the employer's contribution rate will increase from the rate it pays for PERS 2 members to rate for LEOFF 2 employers.

**Effect of Service Credit Transfer on Contribution Rates
for those Members who Transfer**

	PERS 2	LEOFF 2**	Change
Employer*	2.05%*	3.04%	0.99%*
State General Fund	---	2.03%	2.03%
Total*	2.05%*	5.07%	3.66%*

* The funding for the PERS 1 UAAL is scheduled to be completed by 6/30/2024. The PERS rate will drop to the Normal Cost rate at that time. The Normal Cost Rate is currently 1.41% and the UAAL rate is 0.64%.

** The LEOFF rate includes the increase due to this bill of .01% in both the employer and state rates.

	Increase in Employer Contributions	Increase in State (Non-Employer) Contributions	Total
2003-2005	\$ 83,000	\$ 170,000	\$ 253,000
2005-2007	\$ 95,000	\$ 194,000	\$ 289,000
2003-2028	\$ 2,650,000	\$ 4,612,000	\$ 7,262,000

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal bill are based on our understanding of the bill as well as generally accepted actuarial practices including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2001 actuarial valuation report of the Law Enforcement Officers' and Fire Fighters' Retirement System.

Three members hired after the valuation date were not included in this study.

2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:
4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2003 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Projected Benefits: Pension benefit amounts which are expected to be paid in the taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces. The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL. The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2 and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Fish & Wildlife into LEOFF

Bill Summary

Background:

The 2002 Legislature passed ESB 6076, broadening the authority of Department of Fish and Wildlife law enforcement officers and changing the Department of Fish and Wildlife from a limited authority law enforcement agency to a general authority law enforcement agency. ESB 6076 also added language specifying that the Fish and Wildlife enforcement officers would not become members of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) as a result of the passage of the act.

Department of Fish and Wildlife law enforcement officers are members of the Public Employees' Retirement System(PERS), and there are members of all three plans of PERS currently serving as Fish and Wildlife enforcement officers.

New members enrolling in PERS may choose to enter PERS plan 2 or plan 3. Members of PERS plan 2 or 3 have a full retirement age of 65, may early retire after either ten (plan 3) or twenty (plan 2) years of service with a full actuarial reduction beginning at age 55, or with a reduction of 3 percent per year of early retirement after thirty years of service.

New members enrolling in LEOFF enter plan 2. LEOFF plan 2 members have a full retirement age of 53, and may early retire after twenty years of service at age 50 with a 3 percent per year reduction.

Department of Fish and Wildlife Law Enforcement Officer Membership by PERS plan, October 2002

PERS Plan	Number of Members
1	58
2	61
3	6
Total	125

Many Department of Fish and Wildlife enforcement officers are members of PERS plan 1. PERS plan 1 members may retire after 30 years of service at any age, at age 55 after 25 years of service, and at age 60 after five years of service.

The eligibility of a group of employees for membership in LEOFF plan 2 as law enforcement officers is generally determined on the basis of three criteria:

- That the employees are full-time, fully authorized law enforcement officers commissioned and employed to enforce the criminal laws in general;

- That their employer is a general authority law enforcement agency which has as its primary function the enforcement of the traffic and criminal laws of the state in general; and
- That there are certain required qualifications of the individuals including the Criminal Justice Training Commission basic law enforcement course.

The portability rules in Chapter 41.54 RCW provide for the retirement benefits of members with service in several systems or plans. Among the most important principles in the portability rules are that years of service in several plans may be combined to determine the eligibility for benefits from each plan, however each benefit is still only available under the terms of that plan. The member's base salary from any one of the systems may also be used for calculating the benefit from the others.

For example, a member has ten years of service in PERS plan 2 and ten years of service in LEOFF plan 2. The member is eligible to receive a full normal retirement benefit from the ten years of LEOFF plan 2 service at age 53, and may choose to receive a benefit from the ten years of PERS plan 2 service at age 53 as well - however the benefit from PERS shall be reduced from age 65, the PERS plan 2 retirement age, to age 53. Alternatively, the member could delay collecting a benefit from PERS until age 65, and at that time receive their benefit unreduced.

Analysis:

ESB 6076 changed the status of Department of Fish and Wildlife enforcement officers with respect to two of the LEOFF plan 2 membership criteria. The 2002 legislation explicitly makes the Fish and Wildlife enforcement officers fully authorized general authority law enforcement officers and makes the Department of Fish and Wildlife a general authority law enforcement agency.

ESB 6076 also specifically provided that Fish and Wildlife enforcement officers would not be included in LEOFF plan 2 through employer definition. Similarly, the Washington State Patrol is excluded from the definition of general authority law enforcement agency for purposes of LEOFF plan 2. The commissioned officers of the Washington State Patrol are included in the Washington State Patrol Retirement System (WSPRS).

Executive Committee Recommendation:

Department of Fish and Wildlife law enforcement officers who are members of PERS plan 2 or plan 3 shall be included in LEOFF plan 2 for purposes of future service. Members with past service in PERS 2 or PERS 3 shall be dual members of PERS and LEOFF plan 2, and have their benefits calculated according to the Portability provisions provided in Chapter 41.54 RCW. No past PERS service credit may be transferred to LEOFF plan 2. Department of Fish and Wildlife law enforcement officers who are members of PERS plan 1 shall remain in PERS plan 1.

1 AN ACT Relating to allowing members of the teachers' retirement
2 system, the school employees' retirement system, and the public
3 employees' retirement system to begin receiving benefits without
4 leaving service at age seventy and one-half; adding a new section to
5 chapter 41.32 RCW; adding a new section to chapter 41.35 RCW; and
6 adding a new section to chapter 41.40 RCW.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.32 RCW
9 under the subchapter heading "provisions applicable to plan 1, plan 2,
10 and plan 3" to read as follows:

11 Upon attainment of age seventy and one-half, an employed member
12 may, subject to this section, apply for the retirement benefit the
13 member is otherwise eligible to receive and remain employed without
14 reduction in their pension. The retirement benefit begins to accrue on
15 the first day of the calendar month following the month that a member
16 applies for a retirement benefit and has attained age seventy and one-
17 half. The benefit shall be calculated in accordance with the rules of
18 the member's plan, except that the member may continue to be employed.

1 Upon retirement, the retiree is no longer an active member and may not
2 make contributions, nor receive service credit, for future periods of
3 employment while receiving his or her retirement allowance.

4 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.35 RCW
5 under the subchapter heading "provisions applicable to plan 2 and plan
6 3" to read as follows:

7 Upon attainment of age seventy and one-half, an employed member
8 may, subject to this section, apply for the retirement benefit the
9 member is otherwise eligible to receive and remain employed without
10 reduction in their pension. The retirement benefit begins to accrue on
11 the first day of the calendar month following the month that a member
12 applies for a retirement benefit and has attained age seventy and one-
13 half. The benefit is calculated in accordance with the rules of the
14 member's plan, except that the member may continue to be employed.
15 Upon retirement, the retiree is no longer an active member and may not
16 make contributions, nor receive service credit, for future periods of
17 employment while receiving his or her retirement allowance.

18 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.40 RCW
19 under the subchapter heading "provisions applicable to plan 1, plan 2,
20 and plan 3" to read as follows:

21 Upon attainment of age seventy and one-half, an employed member
22 may, subject to this section, apply for the retirement benefit the
23 member is otherwise eligible to receive and remain employed without
24 reduction in their pension. The retirement benefit begins to accrue on
25 the first day of the calendar month following the month that a member
26 applies for a retirement benefit and has attained age seventy and one-
27 half. The benefit shall be calculated in accordance with the rules of
28 the member's plan, except that the member may continue to be employed.
29 Upon retirement, the retiree is no longer an active member and may not
30 make contributions, nor receive service credit, for future periods of
31 employment while receiving his or her retirement allowance.

--- END ---

Draft

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:

Office of the State Actuary

CODE:

035

DATE:

10/29/02

BILL NUMBER:

Z-0144.1

Age 70½

SUMMARY:

This bill impacts all of the plans of the Teachers' Retirement System, the School Employees' Retirement System and the Public Employees' Retirement System by permitting vested members who attain age 70 and one half to apply to the Department of Retirement Systems to begin their benefits without requiring that they separate from service. Upon application for retirement benefits an individual ceases active membership and no longer makes contributions nor receives service credit.

Effective Date: 90 days after session.

BACKGROUND DISCUSSION:

Current law requires member of TRS, SERS, and PERS to retire before benefits begin regardless of age. This generally requires a member separate from service and apply to the Department of Retirement Systems.

MEMBERS IMPACTED:

We estimate that approximately 450 members are age 70½ and eligible to receive benefits in the 2001 Valuation of the State Retirement Systems.

FISCAL IMPACT:

Insufficient impact to affect the contribution rates.

1 AN ACT Relating to allowing members of the teachers' retirement
2 system, the school employees' retirement system, and the public
3 employees' retirement system to begin receiving benefits without
4 leaving service at age seventy and one-half; adding a new section to
5 chapter 41.32 RCW; adding a new section to chapter 41.35 RCW; and
6 adding a new section to chapter 41.40 RCW.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.32 RCW
9 under the subchapter heading "provisions applicable to plan 1, plan 2,
10 and plan 3" to read as follows:

11 Upon attainment of age seventy and one-half, an employed member
12 may, subject to this section, apply for the retirement benefit the
13 member is otherwise eligible to receive and remain employed without
14 reduction in their pension. The retirement benefit begins to accrue on
15 the first day of the calendar month following the month that a member
16 applies for a retirement benefit and has attained age seventy and one-
17 half. The benefit shall be calculated in accordance with the rules of
18 the member's plan, except that the member may continue to be employed.

1 Upon retirement, the retiree is no longer an active member and may not
2 make contributions, nor receive service credit, for future periods of
3 employment while receiving his or her retirement allowance.

4 This section does not apply to any member who is a state elected
5 official on the effective date of this act, unless that member leaves
6 elected office or is reappointed or reelected after the effective date
7 of this act.

8 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.35 RCW
9 under the subchapter heading "provisions applicable to plan 2 and plan
10 3" to read as follows:

11 Upon attainment of age seventy and one-half, an employed member
12 may, subject to this section, apply for the retirement benefit the
13 member is otherwise eligible to receive and remain employed without
14 reduction in their pension. The retirement benefit begins to accrue on
15 the first day of the calendar month following the month that a member
16 applies for a retirement benefit and has attained age seventy and one-
17 half. The benefit is calculated in accordance with the rules of the
18 member's plan, except that the member may continue to be employed.
19 Upon retirement, the retiree is no longer an active member and may not
20 make contributions, nor receive service credit, for future periods of
21 employment while receiving his or her retirement allowance.

22 This section does not apply to any member who is a state elected
23 official on the effective date of this act, unless that member leaves
24 elected office or is reappointed or reelected after the effective date
25 of this act.

26 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.40 RCW
27 under the subchapter heading "provisions applicable to plan 1, plan 2,
28 and plan 3" to read as follows:

29 Upon attainment of age seventy and one-half, an employed member
30 may, subject to this section, apply for the retirement benefit the
31 member is otherwise eligible to receive and remain employed without
32 reduction in their pension. The retirement benefit begins to accrue on
33 the first day of the calendar month following the month that a member
34 applies for a retirement benefit and has attained age seventy and one-
35 half. The benefit shall be calculated in accordance with the rules of
36 the member's plan, except that the member may continue to be employed.

1 Upon retirement, the retiree is no longer an active member and may not
2 make contributions, nor receive service credit, for future periods of
3 employment while receiving his or her retirement allowance.

4 This section does not apply to any member who is a state elected
5 official on the effective date of this act, unless that member leaves
6 elected office or is reappointed or reelected after the effective date
7 of this act.

--- END ---

Age 70½

Bill Summary

Issue:

In order to begin receiving a retirement allowance, a member must be eligible for benefits under their plan, leave employment, and apply to the department to start their allowance. They thereby leave active membership and become a retiree. The requirement that a member separate from service exists regardless of age. Federal law requires that private plans allow members to terminate active membership and begin their benefits at age 70½ without leaving employment - a rule that does not apply to governmental plans such as the Washington State Retirement Systems.

Background:

In 1986, the Federal Tax Reform Act included a provision amending Internal Revenue Code section 401(a)(9)(C) requiring all pension and retirement benefits to begin no later than age 70½ regardless of whether the individual remained employed. This served as an exception to the general rule that the employee must retire before the payment of retirement benefits can begin. Individuals who did not begin receiving their pension benefits by this time were made subject to a 50 percent tax on the amount that would have been paid had they retired.

To follow the federal requirement, the Legislature changed the Judicial, Judges, LEOFF, TRS, PERS, and WSPRS systems in 1988 to allow members with more than five years of service to apply for their retirement benefit after age 70½. The change adopted by the legislature was distinct from the federal requirement in that it allowed individuals to be active members and collect service credit, and be retired and collect their benefit simultaneously. The expressed intent of the legislature was that if Congress repealed the requirement for distribution at 70½, payments made to members who never left employment and began their benefit under the provision would cease. The rule was codified as RCW 41.04.065.

Federal law was changed to exempt governmental plans, a category of plans that includes the Washington State Retirement Systems, from the requirement that distribution of benefits commences at age 70½. The state retirement systems currently remain exempt from the federal 70½ rule. RCW 41.04.065 was then repealed by the Legislature in 1991, ending the age 70½ provision.

**Vested Active Members Age 70½ or Greater
by System and Plan, 2001 Valuation**

System	Plan 1 Count	Plan 2 Count	Plan 3 Count
SERS	0	86	16
JRS	1	0	0
PERS	133	186	0
TRS	22	6	0

The 2001 Legislature increased the number of hours that retirees in PERS plan 1 and TRS plan 1 could work without facing a reduction in their benefits. All retirees are still required to separate from service for 30 days, however, or be prohibited from both receiving their benefit and returning to work.

Possible Approaches:

Members of PERS, SERS and TRS plans 1, 2, and 3 who have attained age 70½ and meet the vesting requirements for their respective plans could be given the opportunity to apply for retirement benefits to begin without requiring that they separate from service. Upon application for retirement benefits, an individual would cease active membership and would no longer accumulate service credit.

Executive Committee Recommendation:

Members of PERS, SERS, and TRS plans 1, 2, and 3 who have attained age 70½ and meet the vesting requirements for their plan may apply for retirement benefits without requiring that they separate from service. Upon application for retirement benefits, an individual ceases active membership and no longer accumulates service credit.

Governance

Proposed Legislation

	SHB 3010	S4910.1 Striking Amendment	H-0116.1
Creates	Select Committee on Pension Policy (SCPP)		
Repeals	Joint Committee on Pension Policy		
Staff	Office of the State Actuary (OSA)		
Members	<u>16 Members</u> <ul style="list-style-type: none"> - 4 Senate members¹ - 4 House members² - 4 Active representatives - 2 Retiree representatives - 2 Employer representatives 	<u>20 Members</u> <ul style="list-style-type: none"> - 4 Senate members³ - 4 House members⁴ - 4 Active representatives - 2 Retiree representatives - 4 Employer representatives - Directors of DRS & OFM 	
Duties	<ul style="list-style-type: none"> - Study pension issues and develop pension policies - Study financial conditions of state pension systems and develop funding policies - Make recommendations to the legislature 		
Other	<ul style="list-style-type: none"> - OSA under the Pension Funding Council (PFC). - PFC may appoint or remove the State Actuary 	<ul style="list-style-type: none"> - OSA under the SCPP - SCPP may appoint or remove the State Actuary 	

¹ Must be from the Ways and Means Committee

² Must be from the Appropriations Committee

³ Three must be from the Ways and Means Committee

⁴ Three must be from the Appropriations Committee

1 AN ACT Relating to creating the select committee on pension policy;
2 amending RCW 41.50.110, 44.44.040, 41.40.037, 41.45.020, 41.45.090,
3 44.04.260, and 44.44.030; reenacting and amending RCW 41.32.570; adding
4 new sections to chapter 41.04 RCW; decodifying RCW 41.54.061; and
5 repealing RCW 44.44.015, 44.44.050, and 44.44.060.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04 RCW
8 to read as follows:

9 (1) The select committee on pension policy is created. The select
10 committee consists of:

11 (a) Four members of the senate appointed by the president of the
12 senate, two of whom are members of the majority party and two of whom
13 are members of the minority party. At least three of the appointees
14 shall be members of the senate ways and means committee;

15 (b) Four members of the house of representatives appointed by the
16 speaker, two of whom are members of the majority party and two of whom
17 are members of the minority party. At least three of the appointees
18 shall be members of the house of representatives appropriations
19 committee;

1 (c) Four active members or representatives from organizations of
2 active members of the state retirement systems appointed by the
3 governor for staggered three-year terms, with no more than two
4 appointees representing any one employee retirement system;

5 (d) Two retired members or representatives of retired members'
6 organizations of the state retirement systems appointed by the governor
7 for staggered three-year terms, with no two members from the same
8 system;

9 (e) Four employer representatives of members of the state
10 retirement systems appointed by the governor for staggered three-year
11 terms; and

12 (f) The directors of the department of retirement systems and
13 office of financial management.

14 (2) (a) The term of office of each member of the house of
15 representatives or senate serving on the committee runs from the close
16 of the session in which he or she is appointed until the close of the
17 next regular session held in an odd-numbered year. If a successor is
18 not appointed during a session, the member's term continues until the
19 member is reappointed or a successor is appointed. The term of office
20 for a committee member who is a member of the house of representatives
21 or the senate who does not continue as a member of the senate or house
22 of representatives ceases upon the convening of the next session of the
23 legislature during the odd-numbered year following the member's
24 appointment, or upon the member's resignation, whichever is earlier.
25 All vacancies of positions held by members of the legislature must be
26 filled from the same political party and from the same house as the
27 member whose seat was vacated.

28 (b) Following the terms of members and representatives appointed
29 under subsection (1) (d) of this section, the retiree positions shall be
30 rotated to ensure that each system has an opportunity to have a retiree
31 representative on the committee.

32 (3) The committee shall elect a chairperson and a vice-chairperson.
33 The chairperson shall be a member of the senate in even-numbered years
34 and a member of the house of representatives in odd-numbered years.

35 (4) The committee shall establish an executive committee of four
36 members, including the chairperson and the vice-chairperson.

37 (5) Nonlegislative members of the select committee serve without

1 compensation, but shall be reimbursed for travel expenses under RCW
2 43.03.050 and 43.03.060.

3 (6) The office of state actuary under chapter 44.44 RCW shall
4 provide staff and technical support to the committee.

5 **Sec. 2.** RCW 41.50.110 and 1998 c 341 s 508 are each amended to
6 read as follows:

7 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
8 section, all expenses of the administration of the department ~~((and))~~,
9 the expenses of administration of the retirement systems, and the
10 expenses of the administration of the office of the state actuary
11 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
12 ~~((and))~~ 43.43, and 44.44 RCW shall be paid from the department of
13 retirement systems expense fund.

14 (2) In order to reimburse the department of retirement systems
15 expense fund on an equitable basis the department shall ascertain and
16 report to each employer, as defined in RCW 41.26.030, 41.32.010,
17 41.35.010, or 41.40.010, the sum necessary to defray its proportional
18 share of the entire expense of the administration of the retirement
19 system that the employer participates in during the ensuing biennium or
20 fiscal year whichever may be required. Such sum is to be computed in
21 an amount directly proportional to the estimated entire expense of the
22 administration as the ratio of monthly salaries of the employer's
23 members bears to the total salaries of all members in the entire
24 system. It shall then be the duty of all such employers to include in
25 their budgets or otherwise provide the amounts so required.

26 (3) The department shall compute and bill each employer, as defined
27 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
28 each month for the amount due for that month to the department of
29 retirement systems expense fund and the same shall be paid as are its
30 other obligations. Such computation as to each employer shall be made
31 on a percentage rate of salary established by the department. However,
32 the department may at its discretion establish a system of billing
33 based upon calendar year quarters in which event the said billing shall
34 be at the end of each such quarter.

35 (4) The director may adjust the expense fund contribution rate for
36 each system at any time when necessary to reflect unanticipated costs
37 or savings in administering the department.

(5) An employer who fails to submit timely and accurate reports to the department may be assessed an additional fee related to the increased costs incurred by the department in processing the deficient reports. Fees paid under this subsection shall be deposited in the retirement system expense fund.

(a) Every six months the department shall determine the amount of an employer's fee by reviewing the timeliness and accuracy of the reports submitted by the employer in the preceding six months. If those reports were not both timely and accurate the department may prospectively assess an additional fee under this subsection.

(b) An additional fee assessed by the department under this subsection shall not exceed fifty percent of the standard fee.

(c) The department shall adopt rules implementing this section.

(6) Expenses other than those under RCW 41.34.060 ~~((+2))~~ (3) shall be paid pursuant to subsection (1) of this section.

Sec. 3. RCW 44.44.040 and 1987 c 25 s 3 are each amended to read as follows:

The office of the state actuary shall have the following powers and duties:

(1) Perform all actuarial services for the department of retirement systems, including all studies required by law. ~~((Reimbursement for such services shall be made to the state actuary pursuant to the provisions of RCW 39.34.130 as now or hereafter amended.))~~

(2) Advise the legislature and the governor regarding pension benefit provisions, and funding policies and investment policies of the state investment board.

(3) Consult with the legislature and the governor concerning determination of actuarial assumptions used by the department of retirement systems.

(4) Prepare a report, to be known as the actuarial fiscal note, on each pension bill introduced in the legislature which briefly explains the financial impact of the bill. The actuarial fiscal note shall include: (a) The statutorily required contribution for the biennium and the following twenty-five years; (b) the biennial cost of the increased benefits if these exceed the required contribution; and (c) any change in the present value of the unfunded accrued benefits. An actuarial fiscal note shall also be prepared for all amendments which

1 are offered in committee or on the floor of the house of
2 representatives or the senate to any pension bill. However, a majority
3 of the members present may suspend the requirement for an actuarial
4 fiscal note for amendments offered on the floor of the house of
5 representatives or the senate.

6 (5) Provide such actuarial services to the legislature as may be
7 requested from time to time.

8 (6) Provide staff and assistance to the committee established under
9 (~~(RCW 46.44.050)~~) section 1 of this act.

10 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.04 RCW
11 to read as follows:

12 The select committee on pension policy has the following powers and
13 duties:

14 (1) Study pension issues, develop pension policies for public
15 employees in state retirement systems, and make recommendations to the
16 legislature;

17 (2) Study the financial condition of the state pension systems,
18 develop funding policies, and make recommendations to the legislature;
19 and

20 (3) Appoint or remove the state actuary by a two-thirds vote of the
21 select committee.

22 **Sec. 5.** RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317
23 s 1 are each reenacted and amended to read as follows:

24 (1)(a) If a retiree enters employment with an employer sooner than
25 one calendar month after his or her accrual date, the retiree's monthly
26 retirement allowance will be reduced by five and one-half percent for
27 every seven hours worked during that month. This reduction will be
28 applied each month until the retiree remains absent from employment
29 with an employer for one full calendar month.

30 (b) The benefit reduction provided in (a) of this subsection will
31 accrue for a maximum of one hundred forty hours per month. Any monthly
32 benefit reduction over one hundred percent will be applied to the
33 benefit the retiree is eligible to receive in subsequent months.

34 (2) Any retired teacher or retired administrator who enters service
35 in any public educational institution in Washington state and who has
36 satisfied the break in employment requirement of subsection (1) of this

1 section shall cease to receive pension payments while engaged in such
2 service, after the retiree has rendered service for more than one
3 thousand five hundred hours in a school year. When a retired teacher
4 or administrator renders service beyond eight hundred sixty-seven
5 hours, the department shall collect from the employer the applicable
6 employer retirement contributions for the entire duration of the
7 member's employment during that fiscal year.

8 (3) The department shall collect and provide the state actuary with
9 information relevant to the use of this section for the ((joint))
10 select committee on pension policy.

11 (4) The legislature reserves the right to amend or repeal this
12 section in the future and no member or beneficiary has a contractual
13 right to be employed for more than five hundred twenty-five hours per
14 year without a reduction of his or her pension.

15 **Sec. 6.** RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended
16 to read as follows:

17 (1)(a) If a retiree enters employment with an employer sooner than
18 one calendar month after his or her accrual date, the retiree's monthly
19 retirement allowance will be reduced by five and one-half percent for
20 every eight hours worked during that month. This reduction will be
21 applied each month until the retiree remains absent from employment
22 with an employer for one full calendar month.

23 (b) The benefit reduction provided in (a) of this subsection will
24 accrue for a maximum of one hundred sixty hours per month. Any benefit
25 reduction over one hundred percent will be applied to the benefit the
26 retiree is eligible to receive in subsequent months.

27 (2)(a) A retiree from plan 1 who has satisfied the break in
28 employment requirement of subsection (1) of this section and who enters
29 employment with an employer may continue to receive pension payments
30 while engaged in such service for up to one thousand five hundred hours
31 of service in a calendar year without a reduction of pension. When a
32 plan 1 member renders service beyond eight hundred sixty-seven hours,
33 the department shall collect from the employer the applicable employer
34 retirement contributions for the entire duration of the member's
35 employment during that calendar year.

36 (b) A retiree from plan 2 or plan 3 who has satisfied the break in
37 employment requirement of subsection (1) of this section may work up to

1 eight hundred sixty-seven hours in a calendar year in an eligible
2 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as
3 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,
4 without suspension of his or her benefit.

5 (3) If the retiree opts to reestablish membership under RCW
6 41.40.023(12), he or she terminates his or her retirement status and
7 becomes a member. Retirement benefits shall not accrue during the
8 period of membership and the individual shall make contributions and
9 receive membership credit. Such a member shall have the right to again
10 retire if eligible in accordance with RCW 41.40.180. However, if the
11 right to retire is exercised to become effective before the member has
12 rendered two uninterrupted years of service, the retirement formula and
13 survivor options the member had at the time of the member's previous
14 retirement shall be reinstated.

15 (4) The department shall collect and provide the state actuary with
16 information relevant to the use of this section for the ((joint))
17 select committee on pension policy.

18 (5) The legislature reserves the right to amend or repeal this
19 section in the future and no member or beneficiary has a contractual
20 right to be employed for more than five months in a calendar year
21 without a reduction of his or her pension.

22 **Sec. 7.** RCW 41.45.020 and 2002 c 26 s 4 are each amended to read
23 as follows:

24 As used in this chapter, the following terms have the meanings
25 indicated unless the context clearly requires otherwise.

26 (1) "Council" means the pension funding council created in RCW
27 41.45.100.

28 (2) "Department" means the department of retirement systems.

29 (3) "Law enforcement officers' and fire fighters' retirement system
30 plan 1" and "law enforcement officers' and fire fighters' retirement
31 system plan 2" means the benefits and funding provisions under chapter
32 41.26 RCW.

33 (4) "Public employees' retirement system plan 1," "public
34 employees' retirement system plan 2," and "public employees' retirement
35 system plan 3" mean the benefits and funding provisions under chapter
36 41.40 RCW.

(5) "Teachers' retirement system plan 1," "teachers' retirement system plan 2," and "teachers' retirement system plan 3" mean the benefits and funding provisions under chapter 41.32 RCW.

(6) "School employees' retirement system plan 2" and "school employees' retirement system plan 3" mean the benefits and funding provisions under chapter 41.35 RCW.

(7) "Washington state patrol retirement system" means the retirement benefits provided under chapter 43.43 RCW.

(8) "Unfunded liability" means the unfunded actuarial accrued liability of a retirement system.

(9) "Actuary" or "state actuary" means the state actuary employed under chapter 44.44 RCW.

(10) "State retirement systems" means the retirement systems listed in RCW 41.50.030.

(11) "Classified employee" means a member of the Washington school employees' retirement system plan 2 or plan 3 as defined in RCW 41.35.010.

(12) "Teacher" means a member of the teachers' retirement system as defined in RCW 41.32.010(15).

(13) "Select committee" means the select committee on pension policy created in section 1 of this act.

Sec. 8. RCW 41.45.090 and 1998 c 283 s 7 are each amended to read as follows:

The department shall collect and keep in convenient form such data as shall be necessary for an actuarial valuation of the assets and liabilities of the state retirement systems, and for making an actuarial investigation into the mortality, service, compensation, and other experience of the members and beneficiaries of those systems. The department and state actuary shall enter into a memorandum of understanding regarding the specific data the department will collect, when it will be collected, and how it will be maintained. The department shall notify the state actuary of any changes it makes, or intends to make, in the collection and maintenance of such data.

At least once in each six-year period, the state actuary shall conduct an actuarial experience study of the mortality, service, compensation and other experience of the members and beneficiaries of each state retirement system, and into the financial condition of each

1 system. The results of each investigation shall be filed with the
2 department, the office of financial management, the budget writing
3 committees of the Washington house of representatives and senate, the
4 select committee on pension policy, and the pension funding council.
5 Upon the basis of such actuarial investigation the department shall
6 adopt such tables, schedules, factors, and regulations as are deemed
7 necessary in the light of the findings of the actuary for the proper
8 operation of the state retirement systems.

9 NEW SECTION. **Sec. 9.** RCW 41.54.061 is decodified.

10 **Sec. 10.** RCW 44.04.260 and 2001 c 259 s 1 are each amended to read
11 as follows:

12 The joint legislative audit and review committee, the legislative
13 transportation committee, the ((joint)) select committee on pension
14 policy, the legislative evaluation and accountability program
15 committee, and the joint legislative systems committee are subject to
16 such operational policies, procedures, and oversight as are deemed
17 necessary by the facilities and operations committee of the senate and
18 the executive rules committee of the house of representatives to ensure
19 operational adequacy of the agencies of the legislative branch. As
20 used in this section, "operational policies, procedures, and oversight"
21 includes the development process of biennial budgets, contracting
22 procedures, personnel policies, and compensation plans, selection of a
23 chief administrator, facilities, and expenditures. This section does
24 not grant oversight authority to the facilities and operations
25 committee of the senate over any standing committee of the house of
26 representatives or oversight authority to the executive rules committee
27 of the house of representatives over any standing committee of the
28 senate.

29 **Sec. 11.** RCW 44.44.030 and 2001 c 259 s 11 are each amended to
30 read as follows:

31 (1) Subject to RCW 44.04.260, the state actuary shall have the
32 authority to select and employ such research, technical, clerical
33 personnel, and consultants as the actuary deems necessary, whose
34 salaries shall be fixed by the actuary and approved by the ((joint))

1 select committee on pension policy, and who shall be exempt from the
2 provisions of the state civil service law, chapter 41.06 RCW.

3 (2) All actuarial valuations and experience studies performed by
4 the office of the state actuary shall be signed by a member of the
5 American academy of actuaries. If the state actuary is not such a
6 member, the state actuary, after approval by the select committee,
7 shall contract for a period not to exceed two years with a member of
8 the American academy of actuaries to assist in developing actuarial
9 valuations and experience studies.

10 NEW SECTION. **Sec. 12.** The following acts or parts of acts are
11 each repealed:

- 12 (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;
13 (2) RCW 44.44.050 (Joint committee on pension policy--Membership,
14 terms, leadership) and 1987 c 25 s 4; and
15 (3) RCW 44.44.060 (Joint committee on pension policy--Powers and
16 duties) and 1987 c 25 s 5.

--- END ---

Governance

SHB 3010, Proposed Striking Amendment, and Other Recommendations

	SHB 3010	S4910.1 Striking Amendment	Other Recommendations
Creates	Select Committee on Pension Policy		
Repeals	Joint Committee on Pension Policy		
Staff	Office of the State Actuary		
Members	<u>16 Members</u> <ul style="list-style-type: none"> - 4 Senate members ¹ - 4 House members ² - 4 Active representatives - 2 Retiree representatives - 2 Employer representatives 	<u>20 Members</u> <ul style="list-style-type: none"> - 4 Senate members ³ - 4 House members ⁴ - 4 Active representatives - 2 Retiree representatives - 4 Employer representatives - Directors of DRS & OFM 	<u>20 Members</u> <ul style="list-style-type: none"> - 4 Senate members ³ - 4 House members ⁴ - 4 Active representatives - 2 Retiree representatives - 4 Employer representatives - 2 Gubernatorial appointees
Duties	<ul style="list-style-type: none"> - Study pension issues and develop pension policies - Study financial conditions of state pension systems and develop funding policies - Make recommendations to the legislature 		
Other	<ul style="list-style-type: none"> - Places the Office of the State Actuary under the Pension Funding Council. - The Pension Funding Council may appoint or remove the State Actuary 		

¹ Must be from the Ways and Means Committee

² Must be from the Appropriations Committee

³ Three must be from the Ways and Means Committee

⁴ Three must be from the Appropriations Committee

SUBSTITUTE HOUSE BILL 3010

State of Washington

57th Legislature

2002 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Fromhold, McIntire, Conway, Cooper, Hunt and Sullivan)

Read first time 03/04/2002. Referred to Committee on .

1 AN ACT Relating to creating the select committee on pension policy;
2 amending RCW 41.50.110, 44.44.040, 41.40.037, 41.45.100, 44.04.260, and
3 44.44.030; reenacting and amending RCW 41.32.570; adding new sections
4 to chapter 41.04 RCW; decodifying RCW 41.54.061; and repealing RCW
5 44.44.015, 44.44.050, and 44.44.060.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04 RCW
8 to read as follows:

9 (1) The select committee on pension policy is created. The select
10 committee consists of:

11 (a) Four members of the senate ways and means committee appointed
12 by the president of the senate, two of whom are members of the majority
13 party and two of whom are members of the minority party;

14 (b) Four members of the house of representatives appropriations
15 committee appointed by the speaker, two of whom are members of the
16 majority party and two of whom are members of the minority party;

17 (c) Four active members or representatives from organizations of
18 active members of the state retirement systems appointed by the
19 governor for staggered three-year terms;

(d) Two retired members or representatives of retired members' organizations of the state retirement systems appointed by the governor for staggered three-year terms, with no two members from the same system; and

(e) Two employer representatives of members of the state retirement systems appointed by the governor for staggered three-year terms.

(2)(a) The term of office of each member of the house of representatives or senate serving on the committee runs from the close of the session in which he or she is appointed until the close of the next regular session held in an odd-numbered year. If a successor is not appointed during a session, the member's term continues until the member is reappointed or a successor is appointed. The term of office for a committee member who is a member of the house of representatives or the senate who does not continue as a member of the senate or house of representatives ceases upon the convening of the next session of the legislature during the odd-numbered year following the member's appointment, or upon the member's resignation, whichever is earlier. All vacancies of positions held by members of the legislature must be filled from the same political party and from the same house as the member whose seat was vacated.

(b) Following the terms of members and representatives appointed under subsection (1)(d) of this section, the retiree positions shall be rotated to ensure that each system has an opportunity to have a retiree representative on the committee.

(3) The committee shall elect a chairperson and a vice-chairperson.

(4) The committee shall establish an executive committee of four members, including the chairperson and the vice-chairperson.

(5) Nonlegislative members of the select committee serve without compensation, but shall be reimbursed for travel expenses under RCW 43.03.050 and 43.03.060.

(6) The office of state actuary under chapter 44.44 RCW shall provide staff and technical support to the committee.

Sec. 2. RCW 41.50.110 and 1998 c 341 s 508 are each amended to read as follows:

(1) Except as provided by RCW 41.50.255 and subsection (6) of this section, all expenses of the administration of the department ~~((and)),~~ the expenses of administration of the retirement systems, and the expenses of the administration of the office of the state actuary

1 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
2 (~~and~~) 43.43, and 44.44 RCW shall be paid from the department of
3 retirement systems expense fund.

4 (2) In order to reimburse the department of retirement systems
5 expense fund on an equitable basis the department shall ascertain and
6 report to each employer, as defined in RCW 41.26.030, 41.32.010,
7 41.35.010, or 41.40.010, the sum necessary to defray its proportional
8 share of the entire expense of the administration of the retirement
9 system that the employer participates in during the ensuing biennium or
10 fiscal year whichever may be required. Such sum is to be computed in
11 an amount directly proportional to the estimated entire expense of the
12 administration as the ratio of monthly salaries of the employer's
13 members bears to the total salaries of all members in the entire
14 system. It shall then be the duty of all such employers to include in
15 their budgets or otherwise provide the amounts so required.

16 (3) The department shall compute and bill each employer, as defined
17 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
18 each month for the amount due for that month to the department of
19 retirement systems expense fund and the same shall be paid as are its
20 other obligations. Such computation as to each employer shall be made
21 on a percentage rate of salary established by the department. However,
22 the department may at its discretion establish a system of billing
23 based upon calendar year quarters in which event the said billing shall
24 be at the end of each such quarter.

25 (4) The director may adjust the expense fund contribution rate for
26 each system at any time when necessary to reflect unanticipated costs
27 or savings in administering the department.

28 (5) An employer who fails to submit timely and accurate reports to
29 the department may be assessed an additional fee related to the
30 increased costs incurred by the department in processing the deficient
31 reports. Fees paid under this subsection shall be deposited in the
32 retirement system expense fund.

33 (a) Every six months the department shall determine the amount of
34 an employer's fee by reviewing the timeliness and accuracy of the
35 reports submitted by the employer in the preceding six months. If
36 those reports were not both timely and accurate the department may
37 prospectively assess an additional fee under this subsection.

38 (b) An additional fee assessed by the department under this
39 subsection shall not exceed fifty percent of the standard fee.

(c) The department shall adopt rules implementing this section.

(6) Expenses other than those under RCW 41.34.060 ~~((+2))~~ (3) shall be paid pursuant to subsection (1) of this section.

Sec. 3. RCW 44.44.040 and 1987 c 25 s 3 are each amended to read as follows:

The office of the state actuary shall have the following powers and duties:

(1) Perform all actuarial services for the department of retirement systems, including all studies required by law. ~~((Reimbursement for such services shall be made to the state actuary pursuant to the provisions of RCW 39.34.130 as now or hereafter amended.))~~

(2) Advise the legislature and the governor regarding pension benefit provisions, and funding policies and investment policies of the state investment board.

(3) Consult with the legislature and the governor concerning determination of actuarial assumptions used by the department of retirement systems.

(4) Prepare a report, to be known as the actuarial fiscal note, on each pension bill introduced in the legislature which briefly explains the financial impact of the bill. The actuarial fiscal note shall include: (a) The statutorily required contribution for the biennium and the following twenty-five years; (b) the biennial cost of the increased benefits if these exceed the required contribution; and (c) any change in the present value of the unfunded accrued benefits. An actuarial fiscal note shall also be prepared for all amendments which are offered in committee or on the floor of the house of representatives or the senate to any pension bill. However, a majority of the members present may suspend the requirement for an actuarial fiscal note for amendments offered on the floor of the house of representatives or the senate.

(5) Provide such actuarial services to the legislature as may be requested from time to time.

(6) Provide staff and assistance to the committee established under RCW ~~((46.44.050))~~ 44.44.050.

NEW SECTION. **Sec. 4.** A new section is added to chapter 41.04 RCW to read as follows:

1 The select committee on pension policy has the following powers and
2 duties:

3 (1) Study pension issues, develop pension policies for public
4 employees in state retirement systems, and make recommendations to the
5 legislature; and

6 (2) Study the financial condition of the state pension systems,
7 develop funding policies, and make recommendations to the legislature.

8 **Sec. 5.** RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317
9 s 1 are each reenacted and amended to read as follows:

10 (1)(a) If a retiree enters employment with an employer sooner than
11 one calendar month after his or her accrual date, the retiree's monthly
12 retirement allowance will be reduced by five and one-half percent for
13 every seven hours worked during that month. This reduction will be
14 applied each month until the retiree remains absent from employment
15 with an employer for one full calendar month.

16 (b) The benefit reduction provided in (a) of this subsection will
17 accrue for a maximum of one hundred forty hours per month. Any monthly
18 benefit reduction over one hundred percent will be applied to the
19 benefit the retiree is eligible to receive in subsequent months.

20 (2) Any retired teacher or retired administrator who enters service
21 in any public educational institution in Washington state and who has
22 satisfied the break in employment requirement of subsection (1) of this
23 section shall cease to receive pension payments while engaged in such
24 service, after the retiree has rendered service for more than one
25 thousand five hundred hours in a school year. When a retired teacher
26 or administrator renders service beyond eight hundred sixty-seven
27 hours, the department shall collect from the employer the applicable
28 employer retirement contributions for the entire duration of the
29 member's employment during that fiscal year.

30 (3) The department shall collect and provide the state actuary with
31 information relevant to the use of this section for the ((joint))
32 select committee on pension policy.

33 (4) The legislature reserves the right to amend or repeal this
34 section in the future and no member or beneficiary has a contractual
35 right to be employed for more than five hundred twenty-five hours per
36 year without a reduction of his or her pension.

1 **Sec. 6.** RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended
2 to read as follows:

3 (1)(a) If a retiree enters employment with an employer sooner than
4 one calendar month after his or her accrual date, the retiree's monthly
5 retirement allowance will be reduced by five and one-half percent for
6 every eight hours worked during that month. This reduction will be
7 applied each month until the retiree remains absent from employment
8 with an employer for one full calendar month.

9 (b) The benefit reduction provided in (a) of this subsection will
10 accrue for a maximum of one hundred sixty hours per month. Any benefit
11 reduction over one hundred percent will be applied to the benefit the
12 retiree is eligible to receive in subsequent months.

13 (2)(a) A retiree from plan 1 who has satisfied the break in
14 employment requirement of subsection (1) of this section and who enters
15 employment with an employer may continue to receive pension payments
16 while engaged in such service for up to one thousand five hundred hours
17 of service in a calendar year without a reduction of pension. When a
18 plan 1 member renders service beyond eight hundred sixty-seven hours,
19 the department shall collect from the employer the applicable employer
20 retirement contributions for the entire duration of the member's
21 employment during that calendar year.

22 (b) A retiree from plan 2 or plan 3 who has satisfied the break in
23 employment requirement of subsection (1) of this section may work up to
24 eight hundred sixty-seven hours in a calendar year in an eligible
25 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as
26 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,
27 without suspension of his or her benefit.

28 (3) If the retiree opts to reestablish membership under RCW
29 41.40.023(12), he or she terminates his or her retirement status and
30 becomes a member. Retirement benefits shall not accrue during the
31 period of membership and the individual shall make contributions and
32 receive membership credit. Such a member shall have the right to again
33 retire if eligible in accordance with RCW 41.40.180. However, if the
34 right to retire is exercised to become effective before the member has
35 rendered two uninterrupted years of service, the retirement formula and
36 survivor options the member had at the time of the member's previous
37 retirement shall be reinstated.

(4) The department shall collect and provide the state actuary with information relevant to the use of this section for the ((joint)) select committee on pension policy.

(5) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five months in a calendar year without a reduction of his or her pension.

Sec. 7. RCW 41.45.100 and 1998 c 283 s 2 are each amended to read as follows:

(1) The pension funding council is hereby created. The council consists of the:

- (a) Director of the department of retirement systems;
- (b) Director of the office of financial management;
- (c) Chair and ranking minority member of the house of representatives appropriations committee; and
- (d) Chair and ranking minority member of the senate ways and means committee.

The council may select officers as the members deem necessary.

(2) The pension funding council shall adopt changes to economic assumptions and contribution rates by an affirmative vote of at least four members.

(3) The council may appoint or remove the state actuary by a two-thirds vote of the council.

NEW SECTION. **Sec. 8.** RCW 41.54.061 is decodified.

Sec. 9. RCW 44.04.260 and 2001 c 259 s 1 are each amended to read as follows:

The joint legislative audit and review committee, the legislative transportation committee, the ((joint)) select committee on pension policy, the legislative evaluation and accountability program committee, and the joint legislative systems committee are subject to such operational policies, procedures, and oversight as are deemed necessary by the facilities and operations committee of the senate and the executive rules committee of the house of representatives to ensure operational adequacy of the agencies of the legislative branch. As used in this section, "operational policies, procedures, and oversight" includes the development process of biennial budgets, contracting

1 procedures, personnel policies, and compensation plans, selection of a
2 chief administrator, facilities, and expenditures. This section does
3 not grant oversight authority to the facilities and operations
4 committee of the senate over any standing committee of the house of
5 representatives or oversight authority to the executive rules committee
6 of the house of representatives over any standing committee of the
7 senate.

8 **Sec. 10.** RCW 44.44.030 and 2001 c 259 s 11 are each amended to
9 read as follows:

10 (1) Subject to RCW 44.04.260, the state actuary shall have the
11 authority to select and employ such research, technical, clerical
12 personnel, and consultants as the actuary deems necessary, whose
13 salaries shall be fixed by the actuary and approved by the (~~joint~~
14 ~~committee on pension policy~~) pension funding council, and who shall be
15 exempt from the provisions of the state civil service law, chapter
16 41.06 RCW.

17 (2) All actuarial valuations and experience studies performed by
18 the office of the state actuary shall be signed by a member of the
19 American academy of actuaries. If the state actuary is not such a
20 member, the state actuary, after approval by the (~~committee~~) council,
21 shall contract for a period not to exceed two years with a member of
22 the American academy of actuaries to assist in developing actuarial
23 valuations and experience studies.

24 NEW SECTION. **Sec. 11.** The following acts or parts of acts are
25 each repealed:

- 26 (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;
27 (2) RCW 44.44.050 (Joint committee on pension policy--Membership,
28 terms, leadership) and 1987 c 25 s 4; and
29 (3) RCW 44.44.060 (Joint committee on pension policy--Powers and
30 duties) and 1987 c 25 s 5.

--- END ---

2 **SHB 3010** - S AMD
3 By Senator Winsley

4

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04 RCW
8 to read as follows:

9 (1) The select committee on pension policy is created. The select
10 committee consists of:

11 (a) Four members of the senate appointed by the president of the
12 senate, two of whom are members of the majority party and two of whom
13 are members of the minority party. At least three of the appointees
14 shall be members of the senate ways and means committee;

15 (b) Four members of the house of representatives appointed by the
16 speaker, two of whom are members of the majority party and two of whom
17 are members of the minority party. At least three of the appointees
18 shall be members of the house of representatives appropriations
19 committee;

20 (c) Four active members or representatives from organizations of
21 active members of the state retirement systems appointed by the
22 governor for staggered three-year terms;

23 (d) Two retired members or representatives of retired members'
24 organizations of the state retirement systems appointed by the governor
25 for staggered three-year terms, with no two members from the same
26 system;

27 (e) Four employer representatives of members of the state
28 retirement systems appointed by the governor for staggered three-year
29 terms; and

30 (f) The director of the office of financial management and the
31 director of the department of retirement systems.

32 (2)(a) The term of office of each member of the house of
33 representatives or senate serving on the committee runs from the close
34 of the session in which he or she is appointed until the close of the
35 next regular session held in an odd-numbered year. If a successor is
36 not appointed during a session, the member's term continues until the

1 member is reappointed or a successor is appointed. The term of office
2 for a committee member who is a member of the house of representatives
3 or the senate who does not continue as a member of the senate or house
4 of representatives ceases upon the convening of the next session of the
5 legislature during the odd-numbered year following the member's
6 appointment, or upon the member's resignation, whichever is earlier.
7 All vacancies of positions held by members of the legislature must be
8 filled from the same political party and from the same house as the
9 member whose seat was vacated.

10 (b) Following the terms of members and representatives appointed
11 under subsection (1)(d) of this section, the retiree positions shall be
12 rotated to ensure that each system has an opportunity to have a retiree
13 representative on the committee.

14 (3) The committee shall elect a chairperson and a vice-chairperson.
15 The chairperson shall be a member of the senate in even-numbered years
16 and a member of the house of representatives in odd-numbered years.

17 (4) The committee shall establish an executive committee of four
18 members, including the chairperson and the vice-chairperson.

19 (5) Nonlegislative members of the select committee serve without
20 compensation, but shall be reimbursed for travel expenses under RCW
21 43.03.050 and 43.03.060.

22 (6) The office of state actuary under chapter 44.44 RCW shall
23 provide staff and technical support to the committee.

24 **Sec. 2.** RCW 41.50.110 and 1998 c 341 s 508 are each amended to
25 read as follows:

26 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
27 section, all expenses of the administration of the department (~~((and))~~),
28 the expenses of administration of the retirement systems, and the
29 expenses of the administration of the office of the state actuary
30 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
31 (~~((and))~~) 43.43, and 44.44 RCW shall be paid from the department of
32 retirement systems expense fund.

33 (2) In order to reimburse the department of retirement systems
34 expense fund on an equitable basis the department shall ascertain and
35 report to each employer, as defined in RCW 41.26.030, 41.32.010,
36 41.35.010, or 41.40.010, the sum necessary to defray its proportional
37 share of the entire expense of the administration of the retirement
38 system that the employer participates in during the ensuing biennium or

1 fiscal year whichever may be required. Such sum is to be computed in
2 an amount directly proportional to the estimated entire expense of the
3 administration as the ratio of monthly salaries of the employer's
4 members bears to the total salaries of all members in the entire
5 system. It shall then be the duty of all such employers to include in
6 their budgets or otherwise provide the amounts so required.

7 (3) The department shall compute and bill each employer, as defined
8 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
9 each month for the amount due for that month to the department of
10 retirement systems expense fund and the same shall be paid as are its
11 other obligations. Such computation as to each employer shall be made
12 on a percentage rate of salary established by the department. However,
13 the department may at its discretion establish a system of billing
14 based upon calendar year quarters in which event the said billing shall
15 be at the end of each such quarter.

16 (4) The director may adjust the expense fund contribution rate for
17 each system at any time when necessary to reflect unanticipated costs
18 or savings in administering the department.

19 (5) An employer who fails to submit timely and accurate reports to
20 the department may be assessed an additional fee related to the
21 increased costs incurred by the department in processing the deficient
22 reports. Fees paid under this subsection shall be deposited in the
23 retirement system expense fund.

24 (a) Every six months the department shall determine the amount of
25 an employer's fee by reviewing the timeliness and accuracy of the
26 reports submitted by the employer in the preceding six months. If
27 those reports were not both timely and accurate the department may
28 prospectively assess an additional fee under this subsection.

29 (b) An additional fee assessed by the department under this
30 subsection shall not exceed fifty percent of the standard fee.

31 (c) The department shall adopt rules implementing this section.

32 (6) Expenses other than those under RCW 41.34.060(~~(+2)~~) (3) shall
33 be paid pursuant to subsection (1) of this section.

34 **Sec. 3.** RCW 44.44.040 and 1987 c 25 s 3 are each amended to read
35 as follows:

36 The office of the state actuary shall have the following powers and
37 duties:

1 (1) Perform all actuarial services for the department of retirement
2 systems, including all studies required by law. (~~Reimbursement for~~
3 ~~such services shall be made to the state actuary pursuant to the~~
4 ~~provisions of RCW 39.34.130 as now or hereafter amended.~~))

5 (2) Advise the legislature and the governor regarding pension
6 benefit provisions, and funding policies and investment policies of the
7 state investment board.

8 (3) Consult with the legislature and the governor concerning
9 determination of actuarial assumptions used by the department of
10 retirement systems.

11 (4) Prepare a report, to be known as the actuarial fiscal note, on
12 each pension bill introduced in the legislature which briefly explains
13 the financial impact of the bill. The actuarial fiscal note shall
14 include: (a) The statutorily required contribution for the biennium
15 and the following twenty-five years; (b) the biennial cost of the
16 increased benefits if these exceed the required contribution; and (c)
17 any change in the present value of the unfunded accrued benefits. An
18 actuarial fiscal note shall also be prepared for all amendments which
19 are offered in committee or on the floor of the house of
20 representatives or the senate to any pension bill. However, a majority
21 of the members present may suspend the requirement for an actuarial
22 fiscal note for amendments offered on the floor of the house of
23 representatives or the senate.

24 (5) Provide such actuarial services to the legislature as may be
25 requested from time to time.

26 (6) Provide staff and assistance to the committee established under
27 RCW (~~46.44.050~~) 44.44.050.

28 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.04 RCW
29 to read as follows:

30 The select committee on pension policy has the following powers and
31 duties:

32 (1) Study pension issues, develop pension policies for public
33 employees in state retirement systems, and make recommendations to the
34 legislature; and

35 (2) Study the financial condition of the state pension systems,
36 develop funding policies, and make recommendations to the legislature.

Sec. 5. RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317 s 1 are each reenacted and amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every seven hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred forty hours per month. Any monthly benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2) Any retired teacher or retired administrator who enters service in any public educational institution in Washington state and who has satisfied the break in employment requirement of subsection (1) of this section shall cease to receive pension payments while engaged in such service, after the retiree has rendered service for more than one thousand five hundred hours in a school year. When a retired teacher or administrator renders service beyond eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that fiscal year.

(3) The department shall collect and provide the state actuary with information relevant to the use of this section for the ((joint)) select committee on pension policy.

(4) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five hundred twenty-five hours per year without a reduction of his or her pension.

Sec. 6. RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every eight hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

1 (b) The benefit reduction provided in (a) of this subsection will
2 accrue for a maximum of one hundred sixty hours per month. Any benefit
3 reduction over one hundred percent will be applied to the benefit the
4 retiree is eligible to receive in subsequent months.

5 (2)(a) A retiree from plan 1 who has satisfied the break in
6 employment requirement of subsection (1) of this section and who enters
7 employment with an employer may continue to receive pension payments
8 while engaged in such service for up to one thousand five hundred hours
9 of service in a calendar year without a reduction of pension. When a
10 plan 1 member renders service beyond eight hundred sixty-seven hours,
11 the department shall collect from the employer the applicable employer
12 retirement contributions for the entire duration of the member's
13 employment during that calendar year.

14 (b) A retiree from plan 2 or plan 3 who has satisfied the break in
15 employment requirement of subsection (1) of this section may work up to
16 eight hundred sixty-seven hours in a calendar year in an eligible
17 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as
18 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,
19 without suspension of his or her benefit.

20 (3) If the retiree opts to reestablish membership under RCW
21 41.40.023(12), he or she terminates his or her retirement status and
22 becomes a member. Retirement benefits shall not accrue during the
23 period of membership and the individual shall make contributions and
24 receive membership credit. Such a member shall have the right to again
25 retire if eligible in accordance with RCW 41.40.180. However, if the
26 right to retire is exercised to become effective before the member has
27 rendered two uninterrupted years of service, the retirement formula and
28 survivor options the member had at the time of the member's previous
29 retirement shall be reinstated.

30 (4) The department shall collect and provide the state actuary with
31 information relevant to the use of this section for the ((joint))
32 select committee on pension policy.

33 (5) The legislature reserves the right to amend or repeal this
34 section in the future and no member or beneficiary has a contractual
35 right to be employed for more than five months in a calendar year
36 without a reduction of his or her pension.

37 **Sec. 7.** RCW 41.45.100 and 1998 c 283 s 2 are each amended to read
38 as follows:

(1) The pension funding council is hereby created. The council consists of the:

- (a) Director of the department of retirement systems;
- (b) Director of the office of financial management;
- (c) Chair and ranking minority member of the house of representatives appropriations committee; and
- (d) Chair and ranking minority member of the senate ways and means committee.

The council may select officers as the members deem necessary.

(2) The pension funding council shall adopt changes to economic assumptions and contribution rates by an affirmative vote of at least four members.

(3) The council may appoint or remove the state actuary by a two-thirds vote of the council.

NEW SECTION. **Sec. 8.** RCW 41.54.061 is decodified.

Sec. 9. RCW 44.04.260 and 2001 c 259 s 1 are each amended to read as follows:

The joint legislative audit and review committee, the legislative transportation committee, the ((joint)) select committee on pension policy, the legislative evaluation and accountability program committee, and the joint legislative systems committee are subject to such operational policies, procedures, and oversight as are deemed necessary by the facilities and operations committee of the senate and the executive rules committee of the house of representatives to ensure operational adequacy of the agencies of the legislative branch. As used in this section, "operational policies, procedures, and oversight" includes the development process of biennial budgets, contracting procedures, personnel policies, and compensation plans, selection of a chief administrator, facilities, and expenditures. This section does not grant oversight authority to the facilities and operations committee of the senate over any standing committee of the house of representatives or oversight authority to the executive rules committee of the house of representatives over any standing committee of the senate.

Sec. 10. RCW 44.44.030 and 2001 c 259 s 11 are each amended to read as follows:

1 (1) Subject to RCW 44.04.260, the state actuary shall have the
2 authority to select and employ such research, technical, clerical
3 personnel, and consultants as the actuary deems necessary, whose
4 salaries shall be fixed by the actuary and approved by the (~~joint~~
5 ~~committee on pension policy~~) pension funding council, and who shall be
6 exempt from the provisions of the state civil service law, chapter
7 41.06 RCW.

8 (2) All actuarial valuations and experience studies performed by
9 the office of the state actuary shall be signed by a member of the
10 American academy of actuaries. If the state actuary is not such a
11 member, the state actuary, after approval by the (~~committee~~) council,
12 shall contract for a period not to exceed two years with a member of
13 the American academy of actuaries to assist in developing actuarial
14 valuations and experience studies.

15 NEW SECTION. Sec. 11. The following acts or parts of acts are
16 each repealed:

- 17 (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;
18 (2) RCW 44.44.050 (Joint committee on pension policy--Membership,
19 terms, leadership) and 1987 c 25 s 4; and
20 (3) RCW 44.44.060 (Joint committee on pension policy--Powers and
21 duties) and 1987 c 25 s 5."

22 SHB 3010 - S AMD
23 By Senator

24
25 On page 1, line 1 of the title, after "policy;" strike the
26 remainder of the title and insert "amending RCW 41.50.110, 44.44.040,
27 41.40.037, 41.45.100, 44.04.260, and 44.44.030; reenacting and amending
28 RCW 41.32.570; adding new sections to chapter 41.04 RCW; decodifying
29 RCW 41.54.061; and repealing RCW 44.44.015, 44.44.050, and 44.44.060."

--- END ---

Plan 3 Contributions Rates

Bill Summary

This bill will provide Plan 3 members of state retirement systems with some flexibility to adjust their retirement contributions in response to changes in their individual financial circumstances or retirement plans. Currently, members may only change their contribution rate if they change employers.

The bill will provide members of the Teachers' Retirement System (TRS) Plan 3, the School Employees' Retirement System (SERS) Plan 3, and the Public Employees' Retirement System (PERS) Plan 3 with an annual window in which they could change their member contribution rate to any of the rate options set in statute or adopted by the Employee Retirement Benefits Board (ERBB). The first rate change window would be in January 2004. The bill also adds three contribution rate options (options D, E and F) that were adopted by the ERBB.

Fiscal Impact (*Administration*):

\$20,500

1 AN ACT Relating to public employee retirement system plan 3
2 contribution rates; and amending RCW 41.34.040.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 41.34.040 and 2000 c 247 s 403 are each amended to
5 read as follows:

6 (1) A member shall contribute from his or her compensation
7 according to one of the following rate structures in addition to the
8 mandatory minimum five percent:

<u>Option A</u>	<u>Contribution Rate</u>
All Ages	((5.0%)) <u>0.0%</u> fixed
<u>Option B</u>	
Up to Age 35	((5.0%)) <u>0.0%</u>
Age 35 to 44	((6.0%)) <u>1.0%</u>
Age 45 and above	((7.5%)) <u>2.5%</u>
<u>Option C</u>	
Up to Age 35	((6.0%)) <u>1.0%</u>
Age 35 to 44	((7.5%)) <u>2.5%</u>
Age 45 and above	((8.5%)) <u>3.5%</u>
<u>Option D</u>	

<u>All Ages</u>	<u>2.0%</u>
<u>Option E</u>	
<u>All Ages</u>	<u>5.0%</u>
<u>Option F</u>	
<u>All Ages</u>	<u>10.0%</u>

(2) The board shall have the right to offer contribution rate options in addition to those listed in subsection (1) of this section, provided that no significant additional administrative costs are created. All options offered by the board shall conform to the requirements stated in subsections (3) and ~~((4))~~ (5) of this section.

(3) (a) For members of the teachers' retirement system entering plan 3 under RCW 41.32.835 or members of the school employees' retirement system entering plan 3 under RCW 41.35.610, within ninety days of becoming a member he or she has an ~~((irrevocable))~~ option to choose one of the above contribution rate structures. If the member does not select an option within the ninety-day period, he or she shall be assigned option A. ~~((Such assignment shall be irrevocable.))~~

(b) For members of the public employees' retirement system entering plan 3 under RCW 41.40.785, within the ninety days described in RCW 41.40.785 an employee who irrevocably chooses plan 3 shall select one of the above contribution rate structures. If the member does not select an option within the ninety-day period, he or she shall be assigned option A. ~~((Such assignment shall be irrevocable.))~~

(c) For members of the teachers' retirement system transferring to plan 3 under RCW 41.32.817, members of the school employees' retirement system transferring to plan 3 under RCW 41.35.510, or members of the public employees' retirement system transferring to plan 3 under RCW 41.40.795, upon election to plan 3 he or she must ~~((irrevocably))~~ choose one of the above contribution rate structures.

(d) Within ninety days of the date that an employee changes employers, he or she has an ~~((irrevocable))~~ option to choose one of the above contribution rate structures. If the member does not select an option within this ninety-day period, he or she shall be assigned option A. ~~((Such assignment shall be irrevocable.))~~

(4) Each year, members may change their contribution rate option by notifying their employer in writing during the month of January.

(5) Contributions shall begin the first day of the pay cycle in

- 1 which the rate option is made, or the first day of the pay cycle in
- 2 which the end of the ninety-day period occurs.

--- END ---

Fallen Heros

Bill Summary

The bill is necessary to bring State law into compliance with federal law regarding the taxation of pension benefits to beneficiaries of public safety officers that die in the line of duty.

Summary:

This bill would provide that pension payments to qualifying beneficiaries of public safety officers who died in the line of duty would not be subject to federal income tax.

Pursuant to Section 101(h) of the Internal Revenue Code, any amount paid as a survivor annuity (not a lump sum) after January 1, 2002 on account of the duty-related death of a public safety officer is not subject to income tax. In order to qualify for this favorable tax treatment, the benefit must be paid from a qualified 401(a) government plan to the surviving spouse (or a former spouse) of the public safety officer or to a child of such officer; and to the extent such annuity is attributable to such officer's service as a public safety officer.

The favorable tax treatment does not apply to the death of any public safety officer if:

- The death was caused by the intentional misconduct of the officer or by such officer's intention to bring about such officer's death;
- The officer was voluntarily intoxicated at the time of death;
- The officer was performing such officer's duties in a grossly negligent manner at the time of death; or
- The payment is to an individual whose actions were a substantial contributing factor to the death of the officer.

"Public Safety Officer" is defined as an individual serving a public agency in an official capacity, with or without compensation, as a law enforcement officer, as a firefighter, or as a member of a rescue squad or ambulance crew.

Fiscal Impact (*Administration*):

\$99,369

1 AN ACT Relating to paying survivor benefits in accordance with
2 Title 26 U.S.C. Sec. 101(h) as amended by the Fallen Hero Survivor
3 Benefit Fairness Act of 2001; and adding a new section to chapter 41.04
4 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04 RCW
7 to read as follows:

8 Retirement benefits paid under chapter 41.26, 41.40, or 43.43 RCW
9 to beneficiaries of public safety officers who die in the line of duty
10 shall be paid in accordance with Title 26 U.S.C. Sec. 101(h) as amended
11 by the Fallen Hero Survivor Benefit Fairness Act of 2001.

--- END ---

Technical Corrections

Bill Summary

The bill makes necessary technical corrections to retirement statutes including incorrect cross-references, inadvertent omissions of necessary references, accidental duplication of statutory language, codifies current administrative practices, and deletes archaic language.

Summary:

Provisions to the major sections of the bill

- **Section 1** corrects an inadvertent omission of the School Employees' Retirement System in the list of state retirement systems found in RCW 41.04.450.
- **Section 2** corrects an inadvertent omission of the School Employees' Retirement System Plan 2 and Plan 3 and the Public Employees' Retirement System (PERS) Plan 3 in RCW 41.26.195.
- **Section 3** corrects a cross-reference to RCW 41.26.430(1) in RCW 41.26.460.
- **Section 4** corrects a cross-reference in the definition of "retiree" in RCW 41.31A.020 for PERS Plan 3.
- **Section 5** corrects a statutory cross-reference to the Administrative Procedures Act in RCW 41.35.640.
- **Section 6** is a correction to the survivor benefit bill from the 2002 session (Chapter 158, Laws of 2002) striking an erroneous reference to the PERS Plan 3 gainsharing benefit in RCW 41.40.660.
- **Section 7** is a correction to RCW 41.40.748 that clarifies the refund of contributions in the event that the member does not pay their bill for transfer of service in full by the deadline.
- **Section 8** corrects a statutory cross-reference to the Administrative Procedures Act in RCW 41.40.801.
- **Section 9** is also a correction to Chapter 158, Laws of 2002. One subsection in the RCW 41.40.845 was inadvertently duplicated. Also, the necessary reference to the Plan 3 gainsharing benefit was inadvertently omitted.
- **Section 10** corrects the omission of necessary cross-references to LEOFF, TRS, SERS, PERS, WSPRS and Chapter 41.34 accounts in RCW 41.50.700.
- **Section 11** corrects an inadvertent omission of PERS 3 in the dual membership statute (RCW 41.54.030) regarding Plan 3 benefits.

- **Section 12** removes a cross-reference in RCW 43.43.271 to benefit changes in Chapter 329, Laws of 2001, sections 1 and 2 that were vetoed by the Governor.
- **Section 13** removes duplicate language found in RCW 43.43.295 regarding the order of payment of the member's account following the death of member.
- **Section 14** removes an erroneous cross reference in RCW 41.45.060(3)(a) that was a result of changes in the amortization date in Plan 1.
- **Section 15** adds language to RCW 41.50.110 that codifies current administrative practices.
- **Section 16** deletes archaic language from RCW 44.44.040 that is contrary to current administrative practices.

Fiscal Impact:

There is no cost associated with this bill.

1 AN ACT Relating to correcting retirement system statutes; amending
2 RCW 41.04.450, 41.26.195, 41.26.460, 41.31A.020, 41.35.640, 41.40.660,
3 41.40.748, 41.40.801, 41.40.845, 41.45.060, 41.50.110, 41.50.700,
4 41.54.030, 43.43.271, 43.43.295, and 44.44.040; and providing an
5 effective date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 41.04.450 and 2000 c 247 s 1103 are each amended to
8 read as follows:

9 (1) Employers of those members under chapters 41.26, (~~41.40, and~~)
10 41.34, 41.35, and 41.40 RCW who are not specified in RCW 41.04.445 may
11 choose to implement the employer pick up of all member contributions
12 without exception under RCW 41.26.080(1) (a), 41.26.450, 41.40.330(1),
13 41.45.060, 41.45.061, and 41.45.067 and chapter 41.34 RCW. If the
14 employer does so choose, the employer and members shall be subject to
15 the conditions and limitations of RCW 41.04.445 (3), (4), and (5) and
16 RCW 41.04.455.

17 (2) An employer exercising the option under this section may later
18 choose to withdraw from and/or reestablish the employer pick up of

member contributions only once in a calendar year following forty-five days prior notice to the director of the department of retirement systems.

Sec. 2. RCW 41.26.195 and 1997 c 122 s 1 are each amended to read as follows:

Any member of the teachers' retirement system plans 1, 2, or 3, the public employees' retirement system plans 1 ((or)), 2, or 3, the school employees' retirement system plans 2 or 3, or the Washington state patrol retirement system plans 1 or 2 who has previously established service credit in the law enforcement officers' and fire fighters' retirement system plan 1 may make an irrevocable election to have such service transferred to their current retirement system and plan subject to the following conditions:

(1) If the individual is employed by an employer in an eligible position, as of July 1, 1997, the election to transfer service must be filed in writing with the department no later than July 1, 1998. If the individual is not employed by an employer in an eligible position, as of July 1, 1997, the election to transfer service must be filed in writing with the department no later than one year from the date they are employed by an employer in an eligible position.

(2) An individual transferring service under this section forfeits the rights to all benefits as a member of the law enforcement officers' and fire fighters' retirement system plan 1 and will be permanently excluded from membership.

(3) Any individual choosing to transfer service under this section will have transferred to their current retirement system and plan: (a) All the individual's accumulated contributions; (b) an amount sufficient to ensure that the employer contribution rate in the individual's current system and plan will not increase due to the transfer; and (c) all applicable months of service, as defined in RCW 41.26.030(14)(a).

(4) If an individual has withdrawn contributions from the law enforcement officers' and fire fighters' retirement system plan 1, the individual may restore the contributions, together with interest as determined by the director, and recover the service represented by the contributions for the sole purpose of transferring service under this

1 section. The contributions must be restored before the transfer can
2 occur and the restoration must be completed within the time limitations
3 specified in subsection (1) of this section.

4 (5) Any service transferred under this section does not apply to
5 the eligibility requirements for military service credit as defined in
6 RCW 41.40.170(3) or 43.43.260(3).

7 (6) If an individual does not meet the time limitations of
8 subsection (1) of this section, the individual may elect to restore any
9 withdrawn contributions and transfer service under this section by
10 paying the amount required under subsection (3)(b) of this section less
11 any employee contributions transferred.

12 **Sec. 3.** RCW 41.26.460 and 2002 c 158 s 7 are each amended to read
13 as follows:

14 (1) Upon retirement for service as prescribed in RCW 41.26.430 or
15 disability retirement under RCW 41.26.470, a member shall elect to have
16 the retirement allowance paid pursuant to the following options,
17 calculated so as to be actuarially equivalent to each other.

18 (a) Standard allowance. A member electing this option shall
19 receive a retirement allowance payable throughout such member's life.
20 However, if the retiree dies before the total of the retirement
21 allowance paid to such retiree equals the amount of such retiree's
22 accumulated contributions at the time of retirement, then the balance
23 shall be paid to the member's estate, or such person or persons, trust,
24 or organization as the retiree shall have nominated by written
25 designation duly executed and filed with the department; or if there be
26 no such designated person or persons still living at the time of the
27 retiree's death, then to the surviving spouse; or if there be neither
28 such designated person or persons still living at the time of death nor
29 a surviving spouse, then to the retiree's legal representative.

30 (b) The department shall adopt rules that allow a member to select
31 a retirement option that pays the member a reduced retirement allowance
32 and upon death, such portion of the member's reduced retirement
33 allowance as the department by rule designates shall be continued
34 throughout the life of and paid to a designated person. Such person
35 shall be nominated by the member by written designation duly executed
36 and filed with the department at the time of retirement. The options

1 adopted by the department shall include, but are not limited to, a
2 joint and one hundred percent survivor option and a joint and fifty
3 percent survivor option.

4 (2)(a) A member, if married, must provide the written consent of
5 his or her spouse to the option selected under this section, except as
6 provided in (b) of this subsection. If a member is married and both
7 the member and member's spouse do not give written consent to an option
8 under this section, the department will pay the member a joint and
9 fifty percent survivor benefit and record the member's spouse as the
10 beneficiary. Such benefit shall be calculated to be actuarially
11 equivalent to the benefit options available under subsection (1) of
12 this section unless spousal consent is not required as provided in (b)
13 of this subsection.

14 (b) If a copy of a dissolution order designating a survivor
15 beneficiary under RCW 41.50.790 has been filed with the department at
16 least thirty days prior to a member's retirement:

17 (i) The department shall honor the designation as if made by the
18 member under subsection (1) of this section; and

19 (ii) The spousal consent provisions of (a) of this subsection do
20 not apply.

21 (3)(a) Any member who retired before January 1, 1996, and who
22 elected to receive a reduced retirement allowance under subsection
23 (1)(b) or (2) of this section is entitled to receive a retirement
24 allowance adjusted in accordance with (b) of this subsection, if they
25 meet the following conditions:

26 (i) The retiree's designated beneficiary predeceases or has
27 predeceased the retiree; and

28 (ii) The retiree provides to the department proper proof of the
29 designated beneficiary's death.

30 (b) The retirement allowance payable to the retiree, as of July 1,
31 1998, or the date of the designated beneficiary's death, whichever
32 comes last, shall be increased by the percentage derived in (c) of this
33 subsection.

34 (c) The percentage increase shall be derived by the following:

35 (i) One hundred percent multiplied by the result of (c)(ii) of this
36 subsection converted to a percent;

37 (ii) Subtract one from the reciprocal of the appropriate joint and
38 survivor option factor;

1 (iii) The joint and survivor option factor shall be from the table
2 in effect as of July 1, 1998.

3 (d) The adjustment under (b) of this subsection shall accrue from
4 the beginning of the month following the date of the designated
5 beneficiary's death or from July 1, 1998, whichever comes last.

6 (4) No later than July 1, 2001, the department shall adopt rules
7 that allow a member additional actuarially equivalent survivor benefit
8 options, and shall include, but are not limited to:

9 (a)(i) A retired member who retired without designating a survivor
10 beneficiary shall have the opportunity to designate their spouse from
11 a postretirement marriage as a survivor during a one-year period
12 beginning one year after the date of the postretirement marriage
13 provided the retirement allowance payable to the retiree is not subject
14 to periodic payments pursuant to a property division obligation as
15 provided for in RCW 41.50.670.

16 (ii) A member who entered into a postretirement marriage prior to
17 the effective date of the rules adopted pursuant to this subsection and
18 satisfies the conditions of (a)(i) of this subsection shall have one
19 year to designate their spouse as a survivor beneficiary following the
20 adoption of the rules.

21 (b) A retired member who elected to receive a reduced retirement
22 allowance under this section and designated a nonspouse as survivor
23 beneficiary shall have the opportunity to remove the survivor
24 designation and have their future benefit adjusted.

25 (c) The department may make an additional charge, if necessary, to
26 ensure that the benefits provided under this subsection remain
27 actuarially equivalent.

28 (5) No later than July 1, 2003, the department shall adopt rules to
29 permit:

30 (a) A court-approved property settlement incident to a court decree
31 of dissolution made before retirement to provide that benefits payable
32 to a member who meets the length of service requirements of RCW
33 41.26.530(1) and the member's divorcing spouse be divided into two
34 separate benefits payable over the life of each spouse.

35 The member shall have available the benefit options of subsection
36 (1) of this section upon retirement, and if remarried at the time of
37 retirement remains subject to the spousal consent requirements of

subsection (2) of this section. Any reductions of the member's benefit subsequent to the division into two separate benefits shall be made solely to the separate benefit of the member.

The nonmember ex spouse shall be eligible to commence receiving their separate benefit upon reaching the ages provided in RCW 41.26.430~~(1)~~ and after filing a written application with the department.

(b) A court-approved property settlement incident to a court decree of dissolution made after retirement may only divide the benefit into two separate benefits payable over the life of each spouse if the nonmember ex spouse was selected as a survivor beneficiary at retirement.

The retired member may later choose the survivor benefit options available in subsection (4) of this section. Any actuarial reductions subsequent to the division into two separate benefits shall be made solely to the separate benefit of the member.

Both the retired member and the nonmember divorced spouse shall be eligible to commence receiving their separate benefits upon filing a copy of the dissolution order with the department in accordance with RCW 41.50.670.

(c) The department may make an additional charge or adjustment if necessary to ensure that the separate benefits provided under this subsection are actuarially equivalent to the benefits payable prior to the decree of dissolution.

Sec. 4. RCW 41.31A.020 and 2000 c 247 s 408 are each amended to read as follows:

(1) On January 1, 2004, and on January 1st of even-numbered years thereafter, the member account of a person meeting the requirements of this section shall be credited by the extraordinary investment gain amount.

(2) The following persons shall be eligible for the benefit provided in subsection (1) of this section:

(a) Any member of the teachers' retirement system plan 3, the Washington school employees' retirement system plan 3, or the public employees' retirement system plan 3 who earned service credit during the twelve-month period from September 1st to August 31st immediately

1 preceding the distribution and had a balance of at least one thousand
2 dollars in their member account on August 31st of the year immediately
3 preceding the distribution; or

4 (b) Any person in receipt of a benefit pursuant to RCW 41.32.875,
5 41.35.680, or 41.40.820; or

6 (c) Any person who is a retiree pursuant to RCW 41.34.020(8) and
7 who:

8 (i) Completed ten service credit years; or

9 (ii) Completed five service credit years, including twelve service
10 months after attaining age fifty-four; or

11 (d) Any teacher who is a retiree pursuant to RCW 41.34.020(8) and
12 who has completed five service credit years by July 1, 1996, under plan
13 2 and who transferred to plan 3 under RCW 41.32.817; or

14 (e) Any classified employee who is a retiree pursuant to RCW
15 41.34.020(8) and who has completed five service credit years by
16 September 1, 2000, and who transferred to plan 3 under RCW 41.35.510;
17 or

18 (f) Any public employee who is a retiree pursuant to RCW
19 (~~41.40.010(29)~~) 41.34.020(8) and who has completed five service
20 credit years by March 1, 2002, and who transferred to plan 3 under RCW
21 41.40.795; or

22 (g) Any person who had a balance of at least one thousand dollars
23 in their member account on August 31st of the year immediately
24 preceding the distribution and who:

25 (i) Completed ten service credit years; or

26 (ii) Completed five service credit years, including twelve service
27 months after attaining age fifty-four; or

28 (h) Any teacher who had a balance of at least one thousand dollars
29 in their member account on August 31st of the year immediately
30 preceding the distribution and who has completed five service credit
31 years by July 1, 1996, under plan 2 and who transferred to plan 3 under
32 RCW 41.32.817; or

33 (i) Any classified employee who had a balance of at least one
34 thousand dollars in their member account on August 31st of the year
35 immediately preceding the distribution and who has completed five
36 service credit years by September 1, 2000, and who transferred to plan
37 3 under RCW 41.35.510; or

(j) Any public employee who had a balance of at least one thousand dollars in their member account on August 31st of the year immediately preceding the distribution and who has completed five service credit years by March 1, 2002, and who transferred to plan 3 under RCW 41.40.795.

(3) The extraordinary investment gain amount shall be calculated as follows:

(a) One-half of the sum of the value of the net assets held in trust for pension benefits in the teachers' retirement system combined plan 2 and 3 fund, the Washington school employees' retirement system combined plan 2 and 3 fund, and the public employees' retirement system combined plan 2 and 3 fund at the close of the previous state fiscal year not including the amount attributable to member accounts;

(b) Multiplied by the amount which the compound average of investment returns on those assets over the previous four state fiscal years exceeds ten percent;

(c) Multiplied by the proportion of:

(i) The sum of the service credit on August 31st of the previous year of all persons eligible for the benefit provided in subsection (1) of this section; to

(ii) The sum of the service credit on August 31st of the previous year of:

(A) All persons eligible for the benefit provided in subsection (1) of this section;

(B) Any person who earned service credit in the teachers' retirement system plan 2, the Washington school employees' retirement system plan 2, or the public employees' retirement system plan 2 during the twelve-month period from September 1st to August 31st immediately preceding the distribution;

(C) Any person in receipt of a benefit pursuant to RCW 41.32.765, 41.35.420, or 41.40.630; and

(D) Any person with five or more years of service in the teachers' retirement system plan 2, the Washington school employees' retirement system plan 2, or the public employees' retirement system plan 2;

(d) Divided proportionally among persons eligible for the benefit provided in subsection (1) of this section on the basis of their service credit total on August 31st of the previous year.

(4) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to receive this distribution not granted prior to that time.

Sec. 5. RCW 41.35.640 and 1998 c 341 s 205 are each amended to read as follows:

Any member or beneficiary eligible to receive a retirement allowance under the provisions of RCW 41.35.680, 41.35.690, or 41.35.710 is eligible to commence receiving a retirement allowance after having filed written application with the department.

(1) Retirement allowances paid to members shall accrue from the first day of the calendar month immediately following such member's separation from employment.

(2) Retirement allowances payable to eligible members no longer in service, but qualifying for such an allowance pursuant to RCW (~~41.35.140~~) 41.35.680 shall accrue from the first day of the calendar month immediately following such qualification.

(3) Disability allowances paid to disabled members shall accrue from the first day of the calendar month immediately following such member's separation from employment for disability.

(4) Retirement allowances paid as death benefits shall accrue from the first day of the calendar month immediately following the member's death.

Sec. 6. RCW 41.40.660 and 2002 c 158 s 13 are each amended to read as follows:

(1) Upon retirement for service as prescribed in RCW 41.40.630 or retirement for disability under RCW 41.40.670, a member shall elect to have the retirement allowance paid pursuant to one of the following options, calculated so as to be actuarially equivalent to each other.

(a) Standard allowance. A member electing this option shall receive a retirement allowance payable throughout such member's life. However, if the retiree dies before the total of the retirement allowance paid to such retiree equals the amount of such retiree's accumulated contributions at the time of retirement, then the balance shall be paid to the member's estate, or such person or persons, trust, or organization as the retiree shall have nominated by written designation duly executed and filed with the department; or if there be

1 no such designated person or persons still living at the time of the
2 retiree's death, then to the surviving spouse; or if there be neither
3 such designated person or persons still living at the time of death nor
4 a surviving spouse, then to the retiree's legal representative.

5 (b) The department shall adopt rules that allow a member to select
6 a retirement option that pays the member a reduced retirement allowance
7 and upon death, such portion of the member's reduced retirement
8 allowance as the department by rule designates shall be continued
9 throughout the life of and paid to a person nominated by the member by
10 written designation duly executed and filed with the department at the
11 time of retirement. The options adopted by the department shall
12 include, but are not limited to, a joint and one hundred percent
13 survivor option and a joint and fifty percent survivor option.

14 (2) (a) A member, if married, must provide the written consent of
15 his or her spouse to the option selected under this section, except as
16 provided in (b) of this subsection. If a member is married and both
17 the member and the member's spouse do not give written consent to an
18 option under this section, the department shall pay a joint and fifty
19 percent survivor benefit calculated to be actuarially equivalent to the
20 benefit options available under subsection (1) of this section unless
21 spousal consent is not required as provided in (b) of this subsection.

22 (b) If a copy of a dissolution order designating a survivor
23 beneficiary under RCW 41.50.790 has been filed with the department at
24 least thirty days prior to a member's retirement:

25 (i) The department shall honor the designation as if made by the
26 member under subsection (1) of this section; and

27 (ii) The spousal consent provisions of (a) of this subsection do
28 not apply.

29 (3) (a) Any member who retired before January 1, 1996, and who
30 elected to receive a reduced retirement allowance under subsection
31 (1) (b) or (2) of this section is entitled to receive a retirement
32 allowance adjusted in accordance with (b) of this subsection, if they
33 meet the following conditions:

34 (i) The retiree's designated beneficiary predeceases or has
35 predeceased the retiree; and

36 (ii) The retiree provides to the department proper proof of the
37 designated beneficiary's death.

1 (b) The retirement allowance payable to the retiree, as of July 1,
2 1998, or the date of the designated beneficiary's death, whichever
3 comes last, shall be increased by the percentage derived in (c) of this
4 subsection.

5 (c) The percentage increase shall be derived by the following:

6 (i) One hundred percent multiplied by the result of (c)(ii) of this
7 subsection converted to a percent;

8 (ii) Subtract one from the reciprocal of the appropriate joint and
9 survivor option factor;

10 (iii) The joint and survivor option factor shall be from the table
11 in effect as of July 1, 1998.

12 (d) The adjustment under (b) of this subsection shall accrue from
13 the beginning of the month following the date of the designated
14 beneficiary's death or from July 1, 1998, whichever comes last.

15 (4) No later than July 1, 2001, the department shall adopt rules
16 that allow a member additional actuarially equivalent survivor benefit
17 options, and shall include, but are not limited to:

18 (a)(i) A retired member who retired without designating a survivor
19 beneficiary shall have the opportunity to designate their spouse from
20 a postretirement marriage as a survivor during a one-year period
21 beginning one year after the date of the postretirement marriage
22 provided the retirement allowance payable to the retiree is not subject
23 to periodic payments pursuant to a property division obligation as
24 provided for in RCW 41.50.670.

25 (ii) A member who entered into a postretirement marriage prior to
26 the effective date of the rules adopted pursuant to this subsection and
27 satisfies the conditions of (a)(i) of this subsection shall have one
28 year to designate their spouse as a survivor beneficiary following the
29 adoption of the rules.

30 (b) A retired member who elected to receive a reduced retirement
31 allowance under this section and designated a nonspouse as survivor
32 beneficiary shall have the opportunity to remove the survivor
33 designation and have their future benefit adjusted.

34 (c) The department may make an additional charge, if necessary, to
35 ensure that the benefits provided under this subsection remain
36 actuarially equivalent.

37 (5) No later than July 1, 2003, the department shall adopt rules to
38 permit:

1 (a) A court-approved property settlement incident to a court decree
2 of dissolution made before retirement to provide that benefits payable
3 to a member who meets the length of service requirements of RCW
4 41.40.720 and the member's divorcing spouse be divided into two
5 separate benefits payable over the life of each spouse.

6 The member shall have available the benefit options of subsection
7 (1) of this section upon retirement, and if remarried at the time of
8 retirement remains subject to the spousal consent requirements of
9 subsection (2) of this section. Any reductions of the member's benefit
10 subsequent to the division into two separate benefits shall be made
11 solely to the separate benefit of the member.

12 The nonmember ex spouse shall be eligible to commence receiving
13 their separate benefit upon reaching the age provided in RCW
14 41.40.630(1) and after filing a written application with the
15 department.

16 (b) A court-approved property settlement incident to a court decree
17 of dissolution made after retirement may only divide the benefit into
18 two separate benefits payable over the life of each spouse if the
19 nonmember ex spouse was selected as a survivor beneficiary at
20 retirement.

21 The retired member may later choose the survivor benefit options
22 available in subsection (4) of this section. Any actuarial reductions
23 subsequent to the division into two separate benefits shall be made
24 solely to the separate benefit of the member.

25 Both the retired member and the nonmember divorced spouse shall be
26 eligible to commence receiving their separate benefits upon filing a
27 copy of the dissolution order with the department in accordance with
28 RCW 41.50.670.

29 ~~(c) ((Any benefit distributed pursuant to chapter 41.31A RCW after~~
30 ~~the date of the dissolution order creating separate benefits for a~~
31 ~~member and nonmember ex spouse shall be paid solely to the member.~~

32 ~~—(d)—~~ (d)) The department may make an additional charge or adjustment if
33 necessary to ensure that the separate benefits provided under this
34 subsection are actuarially equivalent to the benefits payable prior to
35 the decree of dissolution.

36 **Sec. 7.** RCW 41.40.748 and 2002 c 269 s 1 are each amended to read
37 as follows:

1 (1) Active members of the Washington state patrol retirement system
2 who have previously established service credit in the public employees'
3 retirement system plan 2 while employed in the state patrol as a
4 commercial vehicle enforcement officer, and who became a commissioned
5 officer after July 1, 2000, and prior to June 30, 2001, have the
6 following options:

7 (a) Remain a member of the public employees' retirement system; or

8 (b) Transfer service credit earned under the retirement system as
9 a commercial vehicle enforcement officer to the Washington state patrol
10 retirement system by making an irrevocable choice filed in writing with
11 the department of retirement systems within one year of the
12 department's announcement of the ability to make such a transfer.

13 (2)(a) Any commissioned officer choosing to transfer under this
14 section shall have transferred from the retirement system to the
15 Washington state patrol retirement system:

16 (i) All the employee's applicable accumulated contributions plus
17 interest, and an equal amount of employer contributions attributed to
18 such employee; and

19 (ii) All applicable months of service as a commercial vehicle
20 enforcement officer credited to the employee under this chapter as
21 though that service was rendered as a member of the Washington state
22 patrol retirement system.

23 (b) For the applicable period of service, the employee shall pay:

24 (i) The difference between the contributions the employee paid to
25 the retirement system, and the contributions which would have been paid
26 by the employee had the employee been a member of the Washington state
27 patrol retirement system, plus interest as determined by the director.
28 This payment shall be made no later than December 31, 2010, or the date
29 of retirement, whichever comes first;

30 (ii) The difference between the employer contributions paid to the
31 public employees' retirement system, and the employer contributions
32 which would have been payable to the Washington state patrol retirement
33 system; and

34 (iii) An amount sufficient to ensure that the funding status of the
35 Washington state patrol retirement system will not change due to this
36 transfer.

37 (c) If the payment required by this subsection is not paid in full
38 by the deadline, the transferred service credit shall not be used to

determine eligibility for benefits nor to calculate benefits under the Washington state patrol retirement system. In such case, the ~~((additional employee and employer contributions))~~ employee's accumulated contributions plus interest transferred under this subsection, and any payments made under this subsection, shall be refunded to the employee(~~(, and))~~). The employer shall be entitled to a credit for the ~~((payments made))~~ employer contributions transferred under ~~((a) of))~~ this subsection.

(d) An individual who transfers service credit and contributions under this subsection is permanently excluded from the public employees' retirement system for all service as a commercial vehicle enforcement officer.

Sec. 8. RCW 41.40.801 and 2000 c 247 s 305 are each amended to read as follows:

Any member or beneficiary eligible to receive a retirement allowance under the provisions of RCW 41.40.820, 41.40.825, or 41.40.835 is eligible to commence receiving a retirement allowance after having filed written application with the department.

(1) Retirement allowances paid to members shall accrue from the first day of the calendar month immediately following such member's separation from employment.

(2) Retirement allowances payable to eligible members no longer in service, but qualifying for such an allowance pursuant to RCW ~~((41.40.068))~~ 41.40.820 shall accrue from the first day of the calendar month immediately following such qualification.

(3) Disability allowances paid to disabled members shall accrue from the first day of the calendar month immediately following such member's separation from employment for disability.

(4) Retirement allowances paid as death benefits shall accrue from the first day of the calendar month immediately following the member's death.

Sec. 9. RCW 41.40.845 and 2002 c 158 s 14 are each amended to read as follows:

(1) Upon retirement for service as prescribed in RCW 41.40.820 or retirement for disability under RCW 41.40.825, a member shall elect to

1 have the retirement allowance paid pursuant to one of the following
2 options, calculated so as to be actuarially equivalent to each other.

3 (a) Standard allowance. A member electing this option shall
4 receive a retirement allowance payable throughout such member's life.
5 Upon the death of the member, the member's benefits shall cease.

6 (b) The department shall adopt rules that allow a member to select
7 a retirement option that pays the member a reduced retirement allowance
8 and upon death, such portion of the member's reduced retirement
9 allowance as the department by rule designates shall be continued
10 throughout the life of and paid to a person nominated by the member by
11 written designation duly executed and filed with the department at the
12 time of retirement. The options adopted by the department shall
13 include, but are not limited to, a joint and one hundred percent
14 survivor option and a joint and fifty percent survivor option.

15 (2)(a) A member, if married, must provide the written consent of
16 his or her spouse to the option selected under this section, except as
17 provided in (b) of this subsection. If a member is married and both
18 the member and the member's spouse do not give written consent to an
19 option under this section, the department shall pay a joint and fifty
20 percent survivor benefit calculated to be actuarially equivalent to the
21 benefit options available under subsection (1) of this section unless
22 spousal consent is not required as provided in (b) of this subsection.

23 (b) If a copy of a dissolution order designating a survivor
24 beneficiary under RCW 41.50.790 has been filed with the department at
25 least thirty days prior to a member's retirement:

26 (i) The department shall honor the designation as if made by the
27 member under subsection (1) of this section; and

28 (ii) The spousal consent provisions of (a) of this subsection do
29 not apply.

30 ~~(3) ((The department shall adopt rules that allow a member~~
31 ~~additional actuarially equivalent survivor benefit options, and shall~~
32 ~~include, but are not limited to:~~

33 ~~— (a)(i) A retired member who retired without designating a survivor~~
34 ~~beneficiary shall have the opportunity to designate their spouse from~~
35 ~~a postretirement marriage as a survivor during a one-year period~~
36 ~~beginning one year after the date of the postretirement marriage~~
37 ~~provided the retirement allowance payable to the retiree is not subject~~

1 ~~to periodic payments pursuant to a property division obligation as~~
2 ~~provided for in RCW 41.50.670.~~

3 ~~—— (ii) A member who entered into a postretirement marriage prior to~~
4 ~~the effective date of the rules adopted under this section and~~
5 ~~satisfies the conditions of (a) (i) of this subsection shall have one~~
6 ~~year to designate their spouse as a survivor beneficiary following the~~
7 ~~adoption of the rules.~~

8 ~~—— (b) A retired member who elected to receive a reduced retirement~~
9 ~~allowance under this section and designated a nonspouse as survivor~~
10 ~~beneficiary shall have the opportunity to remove the survivor~~
11 ~~designation and have their future benefit adjusted.~~

12 ~~—— (c) The department may make an additional charge, if necessary, to~~
13 ~~ensure that the benefits provided under this subsection remain~~
14 ~~actuarially equivalent.~~

15 ~~—— (4))~~ No later than July 1, 2002, the department shall adopt rules
16 that allow a member additional actuarially equivalent survivor benefit
17 options, and shall include, but are not limited to:

18 (a) (i) A retired member who retired without designating a survivor
19 beneficiary shall have the opportunity to designate their spouse from
20 a postretirement marriage as a survivor during a one-year period
21 beginning one year after the date of the postretirement marriage
22 provided the retirement allowance payable to the retiree is not subject
23 to periodic payments pursuant to a property division obligation as
24 provided for in RCW 41.50.670.

25 (ii) A member who entered into a postretirement marriage prior to
26 the effective date of the rules adopted under this section and
27 satisfies the conditions of (a) (i) of this subsection shall have one
28 year to designate their spouse as a survivor beneficiary following the
29 adoption of the rules.

30 (b) A retired member who elected to receive a reduced retirement
31 allowance under this section and designated a nonspouse as survivor
32 beneficiary shall have the opportunity to remove the survivor
33 designation and have their future benefit adjusted.

34 (c) The department may make an additional charge, if necessary, to
35 ensure that the benefits provided under this subsection remain
36 actuarially equivalent.

37 ((+5)) (4) No later than July 1, 2003, the department shall adopt
38 rules to permit:

1 (a) A court-approved property settlement incident to a court decree
2 of dissolution made before retirement to provide that benefits payable
3 to a member who meets the length of service requirements of RCW
4 41.40.820(1) and the member's divorcing spouse be divided into two
5 separate benefits payable over the life of each spouse.

6 The member shall have available the benefit options of subsection
7 (1) of this section upon retirement, and if remarried at the time of
8 retirement remains subject to the spousal consent requirements of
9 subsection (2) of this section. Any reductions of the member's benefit
10 subsequent to the division into two separate benefits shall be made
11 solely to the separate benefit of the member.

12 The nonmember ex spouse shall be eligible to commence receiving
13 their separate benefit upon reaching the age provided in RCW
14 41.40.820(1) and after filing a written application with the
15 department.

16 (b) A court-approved property settlement incident to a court decree
17 of dissolution made after retirement may only divide the benefit into
18 two separate benefits payable over the life of each spouse if the
19 nonmember ex spouse was selected as a survivor beneficiary at
20 retirement.

21 The retired member may later choose the survivor benefit options
22 available in subsection (~~((4))~~) (3) of this section. Any actuarial
23 reductions subsequent to the division into two separate benefits shall
24 be made solely to the separate benefit of the member.

25 Both the retired member and the nonmember divorced spouse shall be
26 eligible to commence receiving their separate benefits upon filing a
27 copy of the dissolution order with the department in accordance with
28 RCW 41.50.670.

29 (c) Any benefit distributed under chapter 41.31A RCW after the date
30 of the dissolution order creating separate benefits for a member and
31 nonmember ex spouse shall be paid solely to the member.

32 (d) The department may make an additional charge or adjustment if
33 necessary to ensure that the separate benefits provided under this
34 subsection are actuarially equivalent to the benefits payable prior to
35 the decree of dissolution.

36 **Sec. 10.** RCW 41.45.060 and 2002 c 26 s 2 are each amended to read
37 as follows:

1 (1) The state actuary shall provide actuarial valuation results
2 based on the economic assumptions and asset value smoothing technique
3 included in RCW 41.45.035 or adopted by the council under RCW 41.45.030
4 or 41.45.035.

5 (2) Not later than September 30, 2002, and every two years
6 thereafter, consistent with the economic assumptions and asset value
7 smoothing technique included in RCW 41.45.035 or adopted under RCW
8 41.45.030 or 41.45.035, the council shall adopt and may make changes
9 to:

10 (a) A basic state contribution rate for the law enforcement
11 officers' and fire fighters' retirement system;

12 (b) Basic employer contribution rates for the public employees'
13 retirement system, the teachers' retirement system, and the Washington
14 state patrol retirement system to be used in the ensuing biennial
15 period; and

16 (c) A basic employer contribution rate for the school employees'
17 retirement system for funding both that system and the public
18 employees' retirement system plan 1.

19 The contribution rates adopted by the council shall be subject to
20 revision by the legislature.

21 (3) The employer and state contribution rates adopted by the
22 council shall be the level percentages of pay that are needed:

23 (a) To fully amortize the total costs of the public employees'
24 retirement system plan 1, the teachers' retirement system plan 1, and
25 the law enforcement officers' and fire fighters' retirement system plan
26 1 not later than June 30, 2024(~~(, except as provided in subsection (5)~~
27 ~~of this section)~~);

28 (b) To also continue to fully fund the public employees' retirement
29 system plans 2 and 3, the teachers' retirement system plans 2 and 3,
30 the school employees' retirement system plans 2 and 3, and the law
31 enforcement officers' and fire fighters' retirement system plan 2 in
32 accordance with RCW 41.45.061, 41.45.067, and this section; and

33 (c) For the law enforcement officers' and fire fighters' system
34 plan 2 the rate charged to employers, except as provided in RCW
35 41.26.450, shall be thirty percent of the cost of the retirement system
36 and the rate charged to the state shall be twenty percent of the cost
37 of the retirement system.

1 (4) The aggregate actuarial cost method shall be used to calculate
2 a combined plan 2 and 3 employer contribution rate and a Washington
3 state patrol retirement system contribution rate.

4 (5) The council shall immediately notify the directors of the
5 office of financial management and department of retirement systems of
6 the state and employer contribution rates adopted. The rates shall be
7 effective for the ensuing biennial period, subject to any legislative
8 modifications.

9 (6) The director of the department of retirement systems shall
10 collect the rates established in RCW 41.45.053 through June 30, 2003.
11 Thereafter, the director shall collect those rates adopted by the
12 council. The rates established in RCW 41.45.053, or by the council,
13 shall be subject to revision by the council.

14 **Sec. 11.** RCW 41.50.110 and 1998 c 341 s 508 are each amended to
15 read as follows:

16 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
17 section, all expenses of the administration of the department ~~((and))~~,
18 the expenses of administration of the retirement systems, and the
19 expenses of the administration of the office of the state actuary
20 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
21 ~~((and))~~ 43.43, and 44.44 RCW shall be paid from the department of
22 retirement systems expense fund.

23 (2) In order to reimburse the department of retirement systems
24 expense fund on an equitable basis the department shall ascertain and
25 report to each employer, as defined in RCW 41.26.030, 41.32.010,
26 41.35.010, or 41.40.010, the sum necessary to defray its proportional
27 share of the entire expense of the administration of the retirement
28 system that the employer participates in during the ensuing biennium or
29 fiscal year whichever may be required. Such sum is to be computed in
30 an amount directly proportional to the estimated entire expense of the
31 administration as the ratio of monthly salaries of the employer's
32 members bears to the total salaries of all members in the entire
33 system. It shall then be the duty of all such employers to include in
34 their budgets or otherwise provide the amounts so required.

35 (3) The department shall compute and bill each employer, as defined
36 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
37 each month for the amount due for that month to the department of

1 retirement systems expense fund and the same shall be paid as are its
2 other obligations. Such computation as to each employer shall be made
3 on a percentage rate of salary established by the department. However,
4 the department may at its discretion establish a system of billing
5 based upon calendar year quarters in which event the said billing shall
6 be at the end of each such quarter.

7 (4) The director may adjust the expense fund contribution rate for
8 each system at any time when necessary to reflect unanticipated costs
9 or savings in administering the department.

10 (5) An employer who fails to submit timely and accurate reports to
11 the department may be assessed an additional fee related to the
12 increased costs incurred by the department in processing the deficient
13 reports. Fees paid under this subsection shall be deposited in the
14 retirement system expense fund.

15 (a) Every six months the department shall determine the amount of
16 an employer's fee by reviewing the timeliness and accuracy of the
17 reports submitted by the employer in the preceding six months. If
18 those reports were not both timely and accurate the department may
19 prospectively assess an additional fee under this subsection.

20 (b) An additional fee assessed by the department under this
21 subsection shall not exceed fifty percent of the standard fee.

22 (c) The department shall adopt rules implementing this section.

23 (6) Expenses other than those under RCW 41.34.060(~~(+27)~~) (3) shall
24 be paid pursuant to subsection (1) of this section.

25 **Sec. 12.** RCW 41.50.700 and 2002 c 158 s 6 are each amended to read
26 as follows:

27 (1) Except under subsection (3) of this section and RCW
28 41.26.460(5), 41.32.530(5), 41.32.785(5), 41.32.851(4), 41.35.220(4),
29 41.40.188(5), 41.40.660(5), 41.40.845(4), 43.43.271(4), and 41.34.080,
30 the department's obligation to provide direct payment of a property
31 division obligation to an obligee under RCW 41.50.670 shall cease upon
32 the death of the obligee or upon the death of the obligor, whichever
33 comes first. However, if an obligor dies and is eligible for a lump
34 sum death benefit, the department shall be obligated to provide direct
35 payment to the obligee of all or a portion of the withdrawal of
36 accumulated contributions pursuant to a court order that complies with
37 RCW 41.50.670.

(2) The direct payment of a property division obligation to an obligee under RCW 41.50.670 shall be paid as a deduction from the member's periodic retirement payment. An obligee may not direct the department to withhold any funds from such payment.

(3) The department's obligation to provide direct payment to a nonmember ex spouse from a preretirement divorce meeting the criteria of RCW 41.26.162(2) or 43.43.270(2) may continue for the life of the member's surviving spouse qualifying for benefits under RCW 41.26.160, 41.26.161, or 43.43.270(2). Upon the death of the member's surviving spouse qualifying for benefits under RCW 41.26.160, 41.26.161, or 43.43.270(2), the department's obligation under this subsection shall cease. The department's obligation to provide direct payment to a nonmember ex spouse qualifying for a continued split benefit payment under RCW 41.26.162(3) shall continue for the life of that nonmember ex spouse.

Sec. 13. RCW 41.54.030 and 1998 c 341 s 703 are each amended to read as follows:

(1) A dual member may combine service in all systems for the purpose of:

(a) Determining the member's eligibility to receive a service retirement allowance; and

(b) Qualifying for a benefit under RCW 41.32.840(2) ~~((or))~~, 41.35.620, or 41.40.790.

(2) A dual member who is eligible to retire under any system may elect to retire from all the member's systems and to receive service retirement allowances calculated as provided in this section. Each system shall calculate the allowance using its own criteria except that the member shall be allowed to substitute the member's base salary from any system as the compensation used in calculating the allowance.

(3) The service retirement allowances from a system which, but for this section, would not be allowed to be paid at this date based on the dual member's age may be received immediately or deferred to a later date. The allowances shall be actuarially adjusted from the earliest age upon which the combined service would have made such dual member eligible in that system.

(4) The service retirement eligibility requirements of RCW

1 41.40.180 shall apply to any dual member whose prior system is plan 1
2 of the public employees' retirement system established under chapter
3 41.40 RCW.

4 **Sec. 14.** RCW 43.43.271 and 2002 c 158 s 16 are each amended to
5 read as follows:

6 (1) A member commissioned on or after January 1, 2003, upon
7 retirement for service as prescribed in RCW 43.43.250 (~~(or disability~~
8 ~~retirement under RCW 43.43.040,))~~) shall elect to have the retirement
9 allowance paid pursuant to the following options, calculated so as to
10 be actuarially equivalent to each other.

11 (a) Standard allowance. A member electing this option shall
12 receive a retirement allowance payable throughout the member's life.
13 However, if the retiree dies before the total of the retirement
14 allowance paid to the retiree equals the amount of the retiree's
15 accumulated contributions at the time of retirement, then the balance
16 shall be paid to the member's estate, or such person or persons, trust,
17 or organization as the retiree shall have nominated by written
18 designation duly executed and filed with the department; or if there be
19 no such designated person or persons still living at the time of the
20 retiree's death, then to the surviving spouse; or if there be neither
21 such designated person or persons still living at the time of death nor
22 a surviving spouse, then to the retiree's legal representative.

23 (b) The department shall adopt rules that allow a member to select
24 a retirement option that pays the member a reduced retirement allowance
25 and upon death, such portion of the member's reduced retirement
26 allowance as the department by rule designates shall be continued
27 throughout the life of and paid to a designated person. Such person
28 shall be nominated by the member by written designation duly executed
29 and filed with the department at the time of retirement. The options
30 adopted by the department shall include, but are not limited to, a
31 joint and one hundred percent survivor option and a joint and fifty
32 percent survivor option.

33 (2)(a) A member, if married, must provide the written consent of
34 his or her spouse to the option selected under this section, except as
35 provided in (b) of this subsection. If a member is married and both
36 the member and member's spouse do not give written consent to an option
37 under this section, the department will pay the member a joint and

1 fifty percent survivor benefit and record the member's spouse as the
2 beneficiary. This benefit shall be calculated to be actuarially
3 equivalent to the benefit options available under subsection (1) of
4 this section unless spousal consent is not required as provided in (b)
5 of this subsection.

6 (b) If a copy of a dissolution order designating a survivor
7 beneficiary under RCW 41.50.790 has been filed with the department at
8 least thirty days prior to a member's retirement:

9 (i) The department shall honor the designation as if made by the
10 member under subsection (1) of this section; and

11 (ii) The spousal consent provisions of (a) of this subsection do
12 not apply.

13 (3) No later than January 1, 2003, the department shall adopt rules
14 that allow a member additional actuarially equivalent survivor benefit
15 options, and shall include, but are not limited to:

16 (a) (i) A retired member who retired without designating a survivor
17 beneficiary shall have the opportunity to designate their spouse from
18 a postretirement marriage as a survivor during a one-year period
19 beginning one year after the date of the postretirement marriage
20 provided the retirement allowance payable to the retiree is not subject
21 to periodic payments pursuant to a property division obligation as
22 provided for in RCW 41.50.670.

23 (ii) A member who entered into a postretirement marriage prior to
24 the effective date of the rules adopted pursuant to this subsection and
25 satisfies the conditions of (a) (i) of this subsection shall have one
26 year to designate their spouse as a survivor beneficiary following the
27 adoption of the rules.

28 (b) A retired member who elected to receive a reduced retirement
29 allowance under this section and designated a nonspouse as survivor
30 beneficiary shall have the opportunity to remove the survivor
31 designation and have their future benefit adjusted.

32 (c) The department may make an additional charge, if necessary, to
33 ensure that the benefits provided under this subsection remain
34 actuarially equivalent.

35 (4) No later than July 1, 2003, the department shall adopt rules to
36 permit:

37 (a) A court-approved property settlement incident to a court decree
38 of dissolution made before retirement to provide that benefits payable

1 to a member who has completed at least five years of service and the
2 member's divorcing spouse be divided into two separate benefits payable
3 over the life of each spouse.

4 The member shall have available the benefit options of subsection
5 (1) of this section upon retirement, and if remarried at the time of
6 retirement remains subject to the spousal consent requirements of
7 subsection (2) of this section. Any reductions of the member's benefit
8 subsequent to the division into two separate benefits shall be made
9 solely to the separate benefit of the member.

10 The nonmember ex spouse shall be eligible to commence receiving
11 their separate benefit upon reaching the ages provided in RCW
12 43.43.250(2) and after filing a written application with the
13 department.

14 (b) A court-approved property settlement incident to a court decree
15 of dissolution made after retirement may only divide the benefit into
16 two separate benefits payable over the life of each spouse if the
17 nonmember ex spouse was selected as a survivor beneficiary at
18 retirement.

19 The retired member may later choose the survivor benefit options
20 available in subsection (3) of this section. Any actuarial reductions
21 subsequent to the division into two separate benefits shall be made
22 solely to the separate benefit of the member.

23 Both the retired member and the nonmember divorced spouse shall be
24 eligible to commence receiving their separate benefits upon filing a
25 copy of the dissolution order with the department in accordance with
26 RCW 41.50.670.

27 (c) The department may make an additional charge or adjustment if
28 necessary to ensure that the separate benefits provided under this
29 subsection are actuarially equivalent to the benefits payable prior to
30 the decree of dissolution.

31 **Sec. 15.** RCW 43.43.295 and 2001 c 329 s 7 are each amended to read
32 as follows:

33 (1) For members commissioned on or after January 1, 2003, except as
34 provided in RCW 11.07.010, if a member or a vested member who has not
35 completed at least ten years of service dies, the amount of the
36 accumulated contributions standing to such member's credit in the
37 retirement system at the time of such member's death, less any amount

1 identified as owing to an obligee upon withdrawal of accumulated
2 contributions pursuant to a court order filed under RCW 41.50.670,
3 shall be paid to the member's estate, or such person or persons, trust,
4 or organization as the member shall have nominated by written
5 designation duly executed and filed with the department. ~~((If there be
6 no such designated person or persons still living at the time of the
7 member's death, such member's accumulated contributions standing to
8 such member's credit in the retirement system, less any amount
9 identified as owing to an obligee upon withdrawal of accumulated
10 contributions pursuant to a court order filed under RCW 41.50.670,
11 shall be paid to the member's estate, or such person or persons, trust,
12 or organization as the member shall have nominated by written
13 designation duly executed and filed with the department.))~~ If there be
14 no such designated person or persons still living at the time of the
15 member's death, such member's accumulated contributions standing to
16 such member's credit in the retirement system, less any amount
17 identified as owing to an obligee upon withdrawal of accumulated
18 contributions pursuant to a court order filed under RCW 41.50.670,
19 shall be paid to the member's surviving spouse as if in fact such
20 spouse had been nominated by written designation, or if there be no
21 such surviving spouse, then to such member's legal representatives.

22 (2) If a member who is eligible for retirement or a member who has
23 completed at least ten years of service dies, the surviving spouse or
24 eligible child or children shall elect to receive either:

25 (a) A retirement allowance computed as provided for in RCW
26 43.43.260, actuarially reduced by the amount of any lump sum benefit
27 identified as owing to an obligee upon withdrawal of accumulated
28 contributions pursuant to a court order filed under RCW 41.50.670 and
29 actuarially adjusted to reflect a joint and one hundred percent
30 survivor option under RCW 43.43.278 and if the member was not eligible
31 for normal retirement at the date of death a further reduction from age
32 fifty-five or when the member could have attained twenty-five years of
33 service, whichever is less; if a surviving spouse who is receiving a
34 retirement allowance dies leaving a child or children of the member
35 under the age of majority, then such child or children shall continue
36 to receive an allowance in an amount equal to that which was being
37 received by the surviving spouse, share and share alike, until such
38 child or children reach the age of majority; if there is no surviving

1 spouse eligible to receive an allowance at the time of the member's
2 death, such member's child or children under the age of majority shall
3 receive an allowance share and share alike calculated under this
4 section making the assumption that the ages of the spouse and member
5 were equal at the time of the member's death; or

6 (b) (i) The member's accumulated contributions, less any amount
7 identified as owing to an obligee upon withdrawal of accumulated
8 contributions pursuant to a court order filed under RCW 41.50.670; or

9 (ii) If the member dies, one hundred fifty percent of the member's
10 accumulated contributions, less any amount identified as owing to an
11 obligee upon withdrawal of accumulated contributions pursuant to a
12 court order filed under RCW 41.50.670. Any accumulated contributions
13 attributable to restorations made under RCW 41.50.165(2) shall be
14 refunded at one hundred percent.

15 (3) If a member who is eligible for retirement or a member who has
16 completed at least ten years of service dies, and is not survived by a
17 spouse or an eligible child, then the accumulated contributions
18 standing to the member's credit, less any amount identified as owing to
19 an obligee upon withdrawal of accumulated contributions pursuant to a
20 court order filed under RCW 41.50.670, shall be paid:

21 (a) To an estate, a person or persons, trust, or organization as
22 the member shall have nominated by written designation duly executed
23 and filed with the department; or

24 (b) If there is no such designated person or persons still living
25 at the time of the member's death, then to the member's legal
26 representatives.

27 **Sec. 16.** RCW 44.44.040 and 1987 c 25 s 3 are each amended to read
28 as follows:

29 The office of the state actuary shall have the following powers and
30 duties:

31 (1) Perform all actuarial services for the department of retirement
32 systems, including all studies required by law. ~~((Reimbursement for
33 such services shall be made to the state actuary pursuant to the
34 provisions of RCW 39.34.130 as now or hereafter amended.))~~

35 (2) Advise the legislature and the governor regarding pension
36 benefit provisions, and funding policies and investment policies of the
37 state investment board.

1 (3) Consult with the legislature and the governor concerning
2 determination of actuarial assumptions used by the department of
3 retirement systems.

4 (4) Prepare a report, to be known as the actuarial fiscal note, on
5 each pension bill introduced in the legislature which briefly explains
6 the financial impact of the bill. The actuarial fiscal note shall
7 include: (a) The statutorily required contribution for the biennium
8 and the following twenty-five years; (b) the biennial cost of the
9 increased benefits if these exceed the required contribution; and (c)
10 any change in the present value of the unfunded accrued benefits. An
11 actuarial fiscal note shall also be prepared for all amendments which
12 are offered in committee or on the floor of the house of
13 representatives or the senate to any pension bill. However, a majority
14 of the members present may suspend the requirement for an actuarial
15 fiscal note for amendments offered on the floor of the house of
16 representatives or the senate.

17 (5) Provide such actuarial services to the legislature as may be
18 requested from time to time.

19 (6) Provide staff and assistance to the committee established under
20 RCW ((~~46.44.050~~)) 44.44.050.

21 NEW SECTION. **Sec. 17.** Section 4 of this act takes effect January
22 1, 2004.

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HOUSE BILL 2891

State of Washington

57th Legislature

2002 Regular Session

By Representatives Sommers, Sullivan, Simpson, Cooper, O'Brien, Chase, Conway, Santos, Ogden, Casada and Morell

Read first time 02/01/2002. Referred to Committee on Appropriations.

1 AN ACT Relating to determining which fire fighters or law
2 enforcement officers may elect or be elected to certain pension and
3 disability boards; and amending RCW 41.16.010, 41.16.020, and
4 41.26.110.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 41.16.010 and 1973 1st ex.s. c 154 s 61 are each
7 amended to read as follows:

8 For the purpose of this chapter, unless clearly indicated by the
9 context, words and phrases shall have the following meaning:

10 (1) "Beneficiary" shall mean any person or persons designated by a
11 fireman in a writing filed with the board, and who shall be entitled to
12 receive any benefits of a deceased fireman under this chapter.

13 (2) "Board" shall mean the municipal firemen's pension board.

14 (3) "Child or children" shall mean a child or children unmarried
15 and under eighteen years of age.

16 (4) "Contributions" shall mean and include all sums deducted from
17 the salary of firemen and paid into the fund as hereinafter provided.

18 (5) "Disability" shall mean and include injuries or sickness
19 sustained as a result of the performance of duty.

1 (6) "Fireman" or "fire fighter" shall mean any person regularly or
2 temporarily, or as a substitute, employed and paid as a member of a
3 fire department, who has passed a civil service examination for fireman
4 and who is actively employed as a fireman; and shall include any "prior
5 fireman".

6 (7) "Fire department" shall mean the regularly organized, full
7 time, paid, and employed force of firemen of the municipality.

8 (8) "Fund" shall mean the firemen's pension fund created herein.

9 (9) "Municipality" shall mean every city and town having a
10 regularly organized full time, paid, fire department employing firemen.

11 (10) "Performance of duty" shall mean the performance of work and
12 labor regularly required of firemen and shall include services of an
13 emergency nature rendered while off regular duty, but shall not include
14 time spent in traveling to work before answering roll call or traveling
15 from work after dismissal at roll call.

16 (11) "Prior fireman" shall mean a fireman who was actively employed
17 as a fireman of a fire department prior to the first day of January,
18 1947, and who continues such employment thereafter.

19 (12) "Retired fireman" shall mean and include a person employed as
20 a fireman and retired under the provisions of chapter 50, Laws of 1909,
21 as amended.

22 (13) "Widow or widower" means the surviving wife or husband of a
23 retired fireman who was retired on account of length of service and who
24 was lawfully married to such fireman; and whenever that term is used
25 with reference to the wife or former wife or husband or former husband
26 of a retired fireman who was retired because of disability, it shall
27 mean his or her lawfully married wife or husband on the date he or she
28 sustained the injury or contracted the illness that resulted in his or
29 her disability. Said term shall not mean or include a surviving wife
30 or husband who by process of law within one year prior to the retired
31 fireman's death, collected or attempted to collect from him or her
32 funds for the support of herself or himself or for his or her children.

33 **Sec. 2.** RCW 41.16.020 and 1988 c 164 s 2 are each amended to read
34 as follows:

35 There is hereby created in each city and town a municipal firemen's
36 pension board to consist of the following five members, ex officio, the
37 mayor, or in a city of the first class, the mayor or ((his)) a
38 designated representative who shall be an elected official of the city,

1 who shall be chairman of the board, the city comptroller or clerk, the
2 chairman of finance of the city council, or if there is no chairman of
3 finance, the city treasurer, and in addition, two regularly employed or
4 retired ((firemen)) fire fighters elected by secret ballot of ((the))
5 those employed and retired ((firemen. Retired members who are subject
6 to the jurisdiction of the pension board have both the right to elect
7 and the right to be elected under this section)) fire fighters who are
8 subject to the jurisdiction of the board. The members to be elected by
9 the ((firemen)) fire fighters shall be elected annually for a two year
10 term. The two ((firemen)) fire fighters elected as members shall, in
11 turn, select a third eligible member who shall serve as an alternate in
12 the event of an absence of one of the regularly elected members. In
13 case a vacancy occurs in the membership of the ((firemen)) fire
14 fighters or retired members, the members shall in the same manner elect
15 a successor to serve ((his)) the unexpired term. The board may select
16 and appoint a secretary who may, but need not be a member of the board.
17 In case of absence or inability of the chairman to act, the board may
18 select a chairman pro tempore who shall during such absence or
19 inability perform the duties and exercise the powers of the chairman.
20 A majority of the members of ((said)) the board shall constitute a
21 quorum and have power to transact business.

22 **Sec. 3.** RCW 41.26.110 and 2000 c 234 s 1 are each amended to read
23 as follows:

24 (1) All claims for disability shall be acted upon and either
25 approved or disapproved by either type of disability board
26 ((hereafter)) authorized to be created in this section.

27 (a) Each city having a population of twenty thousand or more shall
28 establish a disability board having jurisdiction over all members
29 employed by ((said)) those cities and composed of the following five
30 members: Two members of the city legislative body to be appointed by
31 the mayor(()); one active or retired fire fighter employed by or
32 retired from the city to be elected by the fire fighters employed by or
33 retired from the city(()) who are subject to the jurisdiction of the
34 board; one active or retired law enforcement officer employed by or
35 retired from the city to be elected by the law enforcement officers
36 employed by or retired from the city who are subject to the
37 jurisdiction of the board; and one member from the public at large who
38 resides within the city to be appointed by the other four members

1 (~~((heretofore))~~) designated in this subsection. (~~((Retired members who~~
2 ~~are subject to the jurisdiction of the board have both the right to~~
3 ~~elect and the right to be elected under this section.))~~) Only those
4 active or retired fire fighters and law enforcement officers who are
5 subject to the jurisdiction of the board have the right to elect under
6 this section. All fire fighters and law enforcement officers employed
7 by or retired from the city are eligible for election. Each of the
8 elected members shall serve a two year term. The members appointed
9 pursuant to this subsection shall serve for two year terms: PROVIDED,
10 That cities of the first class only, shall retain existing firemen's
11 pension boards established pursuant to RCW 41.16.020 and existing
12 boards of trustees of the relief and pension fund of the police
13 department as established pursuant to RCW 41.20.010 which such boards
14 shall have authority to act upon and approve or disapprove claims for
15 disability by fire fighters or law enforcement officers as provided
16 under the Washington law enforcement officers' and fire fighters'
17 retirement system act.

18 (b) Each county shall establish a disability board having
19 jurisdiction over all members residing in the county and not employed
20 by a city in which a disability board is established. The county
21 disability board so created shall be composed of five members to be
22 chosen as follows: One member of the legislative body of the county to
23 be appointed by the county legislative body(~~(())~~); one member of a city
24 or town legislative body located within the county which does not
25 contain a city disability board established pursuant to subsection
26 (1)(a) of this section to be chosen by a majority of the mayors of such
27 cities and towns within the county which does not contain a city
28 disability board(~~(())~~); one active fire fighter or retired fire fighter
29 employed by or retired from the county to be elected by the fire
30 fighters employed or retired in the county who are not employed by or
31 retired from a city in which a disability board is established(~~(())~~) and
32 who are subject to the jurisdiction of the board; one law enforcement
33 officer or retired law enforcement officer employed by or retired from
34 the county to be elected by the law enforcement officers employed in or
35 retired from the county who are not employed by or retired from a city
36 in which a disability board is established(~~(())~~) and who are subject to
37 the jurisdiction of the board; and one member from the public at large
38 who resides within the county but does not reside within a city in
39 which a city disability board is established, to be appointed by the

1 other four members ((heretofore)) designated in this subsection.
2 However, in counties with a population less than sixty thousand, the
3 member of the disability board appointed by a majority of the mayors of
4 the cities and towns within the county that do not contain a city
5 disability board must be a resident of one of the cities and towns but
6 need not be a member of a city or town legislative body. ((Retired
7 members who are subject to the jurisdiction of the board have both the
8 right to elect and the right to be elected under this section.)) Only
9 those active or retired fire fighters and law enforcement officers who
10 are subject to the jurisdiction of the board have the right to elect
11 under this section. All fire fighters and law enforcement officers
12 employed by or retired from the county are eligible for election. All
13 members appointed or elected pursuant to this subsection shall serve
14 for two year terms.

15 (2) The members of both the county and city disability boards shall
16 not receive compensation for their service upon the boards but ((said))
17 the members shall be reimbursed by their respective county or city for
18 all expenses incidental to such service as to the amount authorized by
19 law.

20 (3) The disability boards authorized for establishment by this
21 section shall perform all functions, exercise all powers, and make all
22 such determinations as specified in this chapter.

--- END ---